the
commissioner
of
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revenue

annual report nineteen sixty nine

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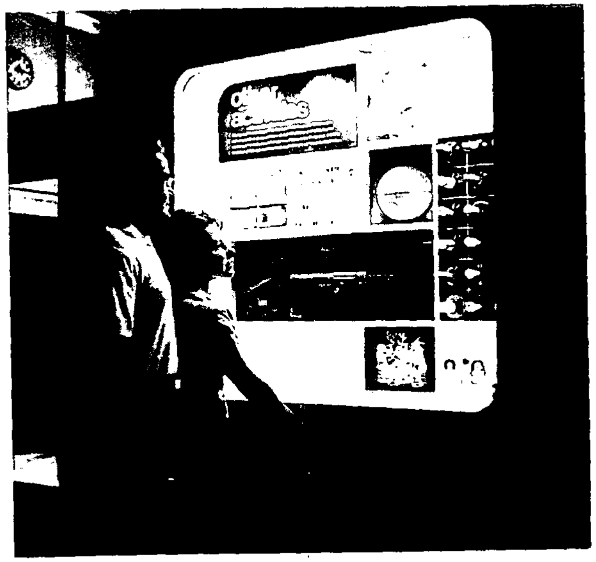
Secretary Kennedy (left) and Commissioner Thrower (right) at the opening ceremony of the Visitor's Gallery located in the Internal Revenue Service Building, Washington, D.C.

View of upper and lower levels at the Visitor's Gallery.

Visitors viewing upper level exhibits and using audio equipment that narrates significant events in tax administration history.



Visitors operating an Alcohol and Firearms exhibit.

Department of the Treasury

Commissioner

Internal Revenue Service

Washington, DC 20224

Honorable David Kennedy,
Secretary of the Treasury,
Washington, D.C. 20220.

Dear Mr. Secretary:

I welcome my first opportunity to describe the accomplishments of the Service by presenting to you the attached annual report of the Internal Revenue Service for the fiscal year 1969.

An increase of more than 3 million returns filed (our basic workload unit) in 1969 compared to 1968 filings reflects a continuing and uncontrollable growth trend that imposed additional work in practically all of the Service's major programs. While this was taking place, the Service lost many employees who could not be replaced because of the Revenue and Expenditure Control Act of 1968. As a result, severe retrenchment occurred in compliance programs, and accomplishments declined in areas where work volume increased.

Despite budgetary restrictions, the Service handled a large volume of work expeditiously. Gross collections totaled $187.9 billion, an increase of $34.3 billion over last year, 29 million taxpayers received assistance, compared to 27 million last year; and all except full paid returns were mathematically verified. A quick refunding program on overpayments of corporation estimated taxes was successfully initiated. Our overall refunding operations were also accelerated, thereby causing the rate of interest paid on refunds to reach its lowest point—less than one cent for each dollar refunded.

The Exempt Organization area received close attention beginning with a reorganization designed to broaden examination coverage and achieve a more intensified enforcement of the regulations. The Exempt Organization Master File was improved and plans were formulated to achieve stronger control of the examination program through centralization in 13 districts of processing of applications and audits of organizations. Also, the Firearms function of the Service expanded considerably at the expense of other enforcement programs to carry out the licensing and registering provisions of the Gun Control Act of 1968.

As evidence of the increasing pace of change in the IRS, we continued the study of requirements for a "System of the 70's" for tax administration, and began a study of the organization of the Service.

In summary, I believe that the Service has performed well under trying budgetary constraints. Management, by moving quickly, maintained a reasonable balance among all major programs and held curtailments of operations to a minimum. Fortunately, the budget picture for 1970 is brighter and I look forward to significant progress.

Sincerely,

Randolph W. Thrower

Randolph W. Thrower,
Commissioner of Internal Revenue.

mission of the service

The mission of the Service is to encourage and achieve the highest possible degree of voluntary compliance with the tax laws and regulations and to maintain the highest degree of public confidence in the integrity and efficiency of the Service. This includes communicating the requirements of the law to the public, determining the extent of compliance and causes of noncompliance, and doing all things needful to a proper enforcement of the law.

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notes

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1969" pertain to the fiscal year ended June 30, 1969 and "July 1" inventory items under this heading reflect inventories as of July 1, 1968.

In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 - Price $1.50 (paper cover)

report on operations

Highlights

Millions

	1968	1969	Percent change
Gross collections	$153,636.8	$187,919.6	22.3
Refunds:			
Number	51.9	49.6	−4.4
Amount	$11,420.6	$12,942.6	13.3
Returns filed	r107.4	110.7	3.1
Returns examined	2.9	2.5	−12.4
Additional tax from enforcement	$3,253.9	$3,368.3	3.5
Delinquent taxes collected, total	$1,521.9	$1,939.3	27.4

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chapter 1

Informing and Assisting Taxpayers

Greater Use Made of News Media.

Public Attention Directed to New Legislation.

Year-Round Service to Taxpayers.

Program for Sampling Taxpayer Inquiries Effective.

Internal Revenue Bulletin Provides Official Tax Guidance.

Introduction

The American system of self-assessment depends on an informed public. To further strengthen this system, the Service carries out a broad information program, making use of the various news media, to communicate tax laws to taxpayers and apprise them of their rights and obligations in computing, and reporting their tax liabilities. In addition, taxpayer assistance teams were available in each district office to answer questions and provide tax materials. Regulations, rulings, simplified tax guides, and forms were issued to increase public knowledge and understanding of tax laws and procedural requirements.

Concern for Public's Right and Need to Know

Access to information about the activities of Government is, of course, a fundamental right of the citizen in a democracy. Carrying this concept a step further, the Service believes that the public also has a need to know. Consequently, the Service not only provides tax information to persons who ask for it, but reaches out to make information available to individuals who are unaware of tax law requirements.

Error Prevention Top Priority

The basic thrust of the public information program is the prevention of errors on tax returns. Interwoven into virtually every message is the reminder that errors can delay refunds, require time-consuming correspondence on the part of taxpayers, or necessitate further action by the Service. Messages go on to point out that, for the Government, errors entail increased costs of operation which, in the final analysis, lead to more expense to the public. Special emphasis is placed on the principal types of individual and business errors: On individual returns—use of the wrong tax table, mathematical mistakes, missing documents such as W-2's, omitted or incorrect social security number, failure to sign the return; on business returns—missing or incorrect business code, omitted identification number, errors in arithmetic. The Service has made a major effort to get taxpayers to use the "piggyback" label appearing on the tax forms they receive in the mail in order to reduce the number of errors caused by omitted or erroneous social security numbers. The various means of communication used include television, radio, news releases, magazine articles, speeches, slides, pamphlets, fact sheets, posters, displays, and exhibits.

Media Use of Messages Reaches New Levels

The Service reached new highs in media use of taxpayer information materials. Posters displayed on some 50,000 mail trucks stressed the importance of taxpayers using the "piggyback" label. Service personnel fulfilled more than 7,000 speaking engagements before practitioner and civic groups. A total of 42,000 media inquiries answered and 950 interviews held in national and field offices were recorded during the fiscal year. Hundreds of news releases and other issuances were directed by Service offices to some 1,750 daily and 8,000 weekly newspapers.

A most effective means of providing helpful information to taxpayers continued to be the weekly "question-and-answer" column. The column, based on the most frequently asked taxpayer questions, was used by 999 daily and 2,394 weekly newspapers during the filing season. Some of these papers continued to carry the column after April 15, reflecting the year-round interest and timeliness of this feature.

Increased Emphasis on Radio and Television

The Service, through its regional, district, and local offices, participated in approximately 6,400 locally developed television and radio programs and set up some 475 exhibits. More than 700 television and 5,500 radio stations carried Service-produced materials. Field personnel arranged for use of these materials on local stations in their areas. For the tax filing season the Service made available television spot announcements and slides, a 27-minute color film presentation, and a number of radio spots and program series. All of these concentrated on areas of most frequent taxpayer misunderstanding and uncertainty.

Many Service officials, ranging from the Commissioner to supervisors and agents, participated in the Service's public information program by appearing on network and local radio and television discussion-type programs. Error rates were again made available to field offices from the computers of the regional service centers so that releases could be issued on the types of errors giving taxpayers the most problems.

Public Attention Directed to New Legislation

Passage of the Revenue and Expenditure Control Act of 1968 required a swift and effective taxpayer informational effort by the Service. Using innovations in release processing and interdivisional coordination, the Service was able to issue three basic news releases on the day the act was signed.

Following up on this, the Service developed a special series of news releases dealing with the computation of the tax surcharge as well as new procedures on estimated tax declarations. Again the basic aim was to reduce misunderstanding and the incidences of error brought on by these new provisions in the law.

Public Informed About New Gun Control Act

As the administering agency for the Gun Control Act of 1968, the Service provided timely information necessary to bring about compliance with the new law. To meet the separate effective dates of the act—October 22 for import controls; November 2 for registration of certain firearms and devices (beginning an amnesty period ending December 1); and December 16 for licensing requirements—the Service developed a coordinated National and field office approach in its information program. Information was distributed to 200,000 licensed gun dealers who had to be informed of their obligations under the new law; 396,000 local and 46,000 State police in some 10,000 agencies who required insight into their increased duties; 25 million hunters, 200,000 target shooters, 100,000 gun collectors; and the general public.

In addition to using the regular means of communication, the Service conducted press conferences, made available special question-and-answer columns, and displayed public notices showing the weapons subject to the new law.

Year-Round Service to Taxpayers Reaches New Peaks

For the fifth consecutive year, service to taxpayers seeking help reached new peaks as almost 29 million taxpayers either telephoned or visited Internal Revenue Service offices in 1969. This was over 2 million (7.7 percent) more than last year, of which some 1.3 million were gains in telephone inquiries and 0.7 million were gains in visitors to Service offices. Coincidentally, these increases in telephone inquiries and visitors to Internal Revenue Service offices represented identical gains of 7.7 percent over last year. Also, the record numbers serviced marked new highs for each of these categories, over 18 million telephone inquiries (64 percent of the total) and more than 10 million visitors to Service offices.

Trained Taxpayer Service Representatives Give Major Assist in Improving Public Service Activities

The 1,350 specially selected and trained taxpayer service representatives played an important role in meeting this year's increased requests for taxpayer service. Of these 1,350 employees, 843 provide full-time year-round service in 352 taxpayer service locations. Additional service was provided on designated days by 57 visiting taxpayer service representatives at 141 service locations not staffed with full-time taxpayer service employees. During the income tax filing period, when the public need for help is the greatest, 450 temporary employees were used to provide taxpayer services. This combination of permanent, visiting, and temporary help has avoided the costly expenditure of technical time previously found necessary to provide such services.

Taxpayer Inquiry Referral System Instituted

In 1969, a taxpayer inquiry referral system was formally adopted. This system permits taxpayers to obtain complete service at any Internal Revenue Service office location. If the location is not the taxpayer's home office or, if for any reason, the information needed is not available, the system permits an accumulation and forwarding of the necessary data to the correct location. Upon receiving a referral inquiry at a distant location, special handling is provided and a solution is forthcoming within a short period of time. This system expedites information requests and eliminates taxpayer inconvenience in being referred to a distant taxpayer service location. Already more than 70,000 taxpayers have availed themselves of this service.

Internal Consolidations Streamline Service to Public

During 1969, actions were initiated to consolidate managerial and procedural functions to assure greater uniformity and efficiency in administering taxpayer service operations. By the end of 1970, all district office taxpayer service functions will have been consolidated, thereby providing more uniform program direction and supervision from similar organizational structures. In addition, the consolidation has also resulted in functions being identified and pulled together which, in effect, extend the scope of taxpayer service activities. For example, now the vast majority of departing alien clearances are performed as a part of the taxpayer service program. This means that most aliens departing from the United States can be fully cleared at the taxpayer service location.

Program for Sampling Taxpayer Inquiries Effective

The Service program for sampling taxpayer inquiries continues to be an effective device for quickly identifying significant taxpayer problem areas which are nationwide in scope. Once identified, efforts are then made to resolve these problems through mass media news release, e.g., newspaper, radio, and television. In addition, the Service uses this information for two other purposes: first, in preparing TAX-NEWS releases to alert taxpayer service employees on important tax questions and, second, in preparing training materials, public-use documents, taxpayer education releases, and the tax form package.

Taxpayers Served

	1968	1969	Percent change
Total taxpayers served	26,581,624	28,628,333	7.7
Telephone service	17,000,993	18,306,188	7.7
Service to office visitors	9,580,631	10,322,145	7.7

Tax Return Forms and Form Letters Activity

The principal contact most taxpayers have with the Service is through the filing of tax return forms and the receipt of other forms and form letters issued as information requests or notifications. The Service, therefore, continued to make every effort to provide the best forms and form letters for public use.

Much of the activity in the tax return forms area this year resulted from further implementation of the provisions of the Revenue and Expenditure Control Act of 1968. A number of new and revised forms also were required in the interest equalization tax area.

Most individual estimated income tax return filers were placed on a "voucher" system of filing in 1969. Under this system, quarterly notices for estimated tax installments due no longer were sent to taxpayers; instead taxpayers submit each installment payment when due along with a payment "voucher" that was furnished with the estimated tax form package. This innovation should prove beneficial to the Service and taxpayers because of the greater speed and accuracy in posting payments to the taxpayer's accounts.

Two short-form returns were developed for use of exempt organizations whose gross receipts for the year and total assets at the end of the year do not exceed $10,000. These forms reduce the reporting burden on these small organizations, while still providing sufficient information for administrative and audit purposes.

A list of forms developed and eliminated appears on page 80.

Efforts to improve the quality, tone, and content of public-use forms and form letters were greatly expanded. Centralized review in the National Office of all forms issued by field offices was instituted. A review of all existing National Office forms was almost completed and good progress was made in reviewing existing field office forms. Under the centralized review of field forms, district directors and regional commissioners generally must now obtain clearance from the National Office prior to issuing a new or revised form.

Taxpayers Rights and Duties Explained in Plain-Language Publications

As part of the effort of the Service to provide self-help guidance to taxpayers, many booklets and pamphlets that explain the tax laws in nontechnical language are made available for widespread use. A few of the larger and better-known publications are designed to meet the normal requirements of large groups of taxpayers. Among these publications are *Your Federal Income Tax, Tax Guide for Small Business,* and *Farmer's Tax Guide.* Other publications relate to specific problem areas such as child care, alimony payments, and income averaging.

Most of these publications are revised annually to reflect new developments or to simplify the language and improve the organization of material from the standpoint of appearance and readability. Increased activity in this area has resulted in modernization of format design and a thorough rearrangement of material in the 1969 edition of *Your Federal Income Tax.* A substantial reorganization of material for the 1970 edition of *Tax Guide for Small Business* was underway at the close of the fiscal year.

Obsolete publications are discontinued and new items are added from time to time to adjust to changing conditions. Further information about current publications starts on page 78.

Technical Development and Guidance

Employees in the National Office and in the field who are concerned with the technical aspects of the tax laws benefit from various internal use publications. Comprehensive discussions of significant legislation, regulations, court decisions, and administrative rulings are presented as study material in the *Quarterly Review of Technical Developments—Income Tax* and in the *Annual Review of Technical Developments—Employment, Estate, Gift, Excise Taxes* covering fiscal year developments. These publications (replacing what formerly was called the *Annual Technical Review Institute*) are supplemented by special issuances of other booklets identified by subject matter titles, such as *Review of Technical Developments—Foreign Investors Tax Act of 1966.*

Reports on Current Tax Literature, issued every 2-weeks, is a two-page presentation of digests of articles published in professional journals or other tax literature containing legislative suggestions, criticism of Service position, or reports of abuses or tax avoidance devices. These digests are presented for information and appropriate action by Service officials having responsibility regarding the matters discussed.

Tax Briefs is a pocket-size publication issued every 4-weeks so that revenue agents, office auditors, and tax technicians in field offices, as well as technical personnel in the National Office, may keep informed about the latest developments with a minimum expenditure of time. The brief digests of new legislation, regulations, court decisions, Revenue Rulings, Revenue Procedures, and other matters are accompanied by references to the research source most likely to be available to field personnel.

Internal Revenue Bulletin Provides Official Guidance

The weekly *Internal Revenue Bulletin* continued to serve as the Commissioner's means of providing technical and procedural guidance for all Service employees as well as for taxpayers and tax practitioners. A substantial increase in the number of Revenue Rulings published—from 602 to 696—illustrates the emphasis throughout the year on the public announcement of technical interpretations in order to encourage voluntary compliance and to promote the uniform application of the tax laws to all similarly situated taxpayers.

One of the more significant rulings published during the year is Revenue Ruling 69-4, which provides detailed guides for integrating pension, annuity, profit-sharing, and stock bonus plans with the old-age and survivors insurance benefits provided under the Social Security Act. Revenue Ruling 69-56 presents examples to show that the marital deduction for estate or gift tax purposes is not disallowed or diminished by various administrative powers conferred on an executor or trustee under a will or inter vivos trust instrument or by applicable local law.

Administrative procedures of the Service that affect the rights or duties of the public were announced in 37 Revenue Procedures during the year. Revenue Procedure 68-44 sets forth the standards for publishing Revenue Rulings and Revenue Procedures in the *Bulletin.* Revenue Procedures 68-45 explains newly established procedures relating to master and prototype corporate pension, annuity, and profit-sharing plans. Revenue Procedures 69-1 through 69-6 describe the general procedures for issuing rulings and determination letters to taxpayers, furnishing technical advice to District Directors of Internal Revenue, and processing requests for exemption or qualification under certain provisions of the Code.

The Revenue Rulings and Revenue Procedures published during 1969 in the various tax categories are shown in the table below.

Revenue Rulings and Revenue Procedures published

Type	Number
Total	733
Administrative	35
Alcohol, tobacco, and firearms	19
Employment taxes	79
Estate and gift taxes	24
Excise taxes	88
Exempt organizations	67
Income tax	359
Pension trusts	57
Self-employment tax	5

More than 2,300 pre-1953 published rulings were declared "obsolete" during the year and 143 others were updated and superseded by republication under the current statute and regulations. This is part of a continuing program for reviewing all of those older rulings and publicly announcing whether they still are appropriate statements of Service position. The purpose is to eliminate unnecessary research and to reduce the possibility of improper reliance.

Among the other items published in the *Bulletin* to enhance its use as a convenient reference publication were 26 Public Laws relating to internal revenue matters, 13 committee reports, six Executive Orders, three Tax Conventions, 57 Treasury Decisions containing new or amended regulations, five court decisions, two amendments of the Statement of Procedural Rules, four Treasury Department Orders, ten Delegation Orders, and three notices of disbarment or suspension from practice before the Service.

Announcements of acquiescence or nonacquiescence in 63 adverse decisions of the Tax Court of the United States were published. Among the 137 announcements of general interest, 12 listed the names of organizations that no longer qualify as organizations, contributions to which are deductible under section 170 of the Code, one announced a tax agreement with the State of Georgia, and nine listed disaster areas in which losses qualify for the special tax treatment provided by section 165(h) of the Code.

The weekly *Bulletin* is readily available to all Service personnel and, at a reasonable cost, to the public. Its contents are extensively disseminated (with appropriate citations) by the commercial tax services and various professional journals. During the year, it was redesigned in what no doubt is the most extensive format change in its 50-year history. Consistent with the progressive design program of the Service, the prior book format with full-page column width has been replaced by a new format (combining a narrow column width with a new type face and other typographical techniques) that is intended to provide a more contemporary visual impact.

Material of a permanent nature is consolidated semiannually into *Cumulative Bulletins,* each of which contains an index and finding lists. As a further research aid, an *Index-Digest Supplement* has been published for each 4-year period since 1953. These quadrennial bound volumes contain digests arranged under topical headings along with finding lists to facilitate locating material under particular sections of the Code and regulations.

For the 4-year period 1965 through 1968 a new format was adopted for the *Index-Digest Supplement System* to increase its effectiveness as a research tool. The system will be made up of five basic volumes, or "services," with subject matter coverage as follows: Income Tax; Estate and Gift Taxes; Employment Taxes; Excise Taxes; and Alcohol, Tobacco, and Firearms. In addition to the topical digests for the 4-year period, the finding lists in each of the services include citations of all currently effective Revenue Rulings and Revenue Procedures published during the period 1953 through 1964 appropriately integrated with those published during the period 1965 through 1968.

Cumulative supplements will be issued for each of the basic volumes, quarterly for the Income Tax service and less frequently for the others. Periodically, all currently effective material will be combined in a new basic volume.

Alcohol and Tobacco Industries, and Firearms Licensees Notified of Technical Changes

The Service continued its program of issuing industry circulars to aid the alcohol and tobacco industries in keeping currently apprised of the requirements of internal revenue law, regulations, rulings, and procedures. Since passage of the Gun Control Act of 1968, circulars have also been addressed to firearms licensees.

Thirty-one industry circulars were issued during the year. Of these, 10 discussed changes in law, and related proposed or actual amendments to regulations; five announced the substance of Revenue Rulings and Revenue Procedures; three discussed the use of prescribed forms; three related to firearms matters; two discussed the timely filing of mailed returns and documents; two discussed the experimental use of plastic bottles for packaging distilled spirits, and the remaining six announced other matters of current interest.

National Office Issues Technical Interpretations to Taxpayers and Field Offices

It is the practice of the Service to answer written inquiries of individuals and organizations, whenever appropriate in the interest of sound tax administration, as to their status for tax purposes and as to the tax effects of their acts or transactions. A "ruling," which may be issued only by the National Office, interprets and applies the tax laws to a specific set of facts. (A ruling, therefore, is distinguishable from a "determination letter," which may be issued by a District Director only if the question is specifically covered by statute, regulation, or precedent published ruling.)

Letter rulings are requested by taxpayers or their authorized representatives. District Directors also request technical advice from the National Office in connection with the examination or consideration of a taxpayer's return or claim for refund or credit. During the year, 27,827 requests for letter rulings and 2,523 requests for technical advice were processed, classified by tax category and subject matter as shown in the following table.

Requests for tax rulings and technical advice processed

Subject	Total	Taxpayers' requests	Field requests
Total	30,350	27,827	2,523
Accounting methods	2,836	2,836	----------
Accounting periods	11,092	11,092	----------
Actuarial matters	45	22	23
Administrative provisions	100	73	27
Alcohol, tobacco, and firearms taxes	5,552	4,423	1,129
Earnings and profits	655	655	----------
Employment and self-employment taxes	583	546	37
Engineering questions (depreciation, etc.)	159	93	66
Estate and gift taxes	505	393	112
Exempt organizations	2,155	1,890	265
Other excise taxes	415	277	138
Other income tax matters	5,328	4,914	414
Pension trusts	925	613	312

Determination Letters Issued on Pension Plans

Most of the determination letters issued by District Directors relate to the tax qualification of pension, profit-sharing, annuity, and bond purchase plans under the provisions of section 401(a) of the Code and the exemption of related trusts or custodial accounts under section 501(a) of the Code.

During the year, 131,346 plans that include self-employed individuals were held qualified. Among the 210,659 participants in these plans were 150,927 self-employed individuals. In addition, 25,493 employee-benefit plans covering 946,148 employees were held qualified. Details regarding this activity are shown in the tables that follow.

Determination letters issued on employee benefit plans

Item	Profit-sharing plans	Pension or annuity plans	Stock bonus plans
Determination letters issued with respect to—			
1. Initial qualification of plans:			
a. Plans approved	12,077	13,391	25
Participating employees	268,040	659,243	18,865
b. Plans disapproved	274	268	1
2. Termination of plans	762	742	2
Cases closed without issuance of determination letter	1,039	1,446	----------

Determination letters issued on benefit plans for self-employed persons

Item	Profit-sharing plans	Pension plans	Bond purchase plans
Determinations issued with respect to—			
1. Initial qualification of plans:			
a. Plans approved	67,589	62,807	950
Number of participants	111,617	97,905	1,137
b. Plans disapproved	208	165	5
2. Termination of plans	85	97	----------
Cases closed without issuance of determination letter	4,493	4,088	58

Regulations Provide Interpretation of Internal Revenue Code

Regulations interpreting the tax laws, authorized by the Internal Revenue Code, provide written guidelines for the application of Code provisions by Service personnel and the public in general.

Proposed tax regulations are normally issued through the publication of the complete text in a notice of proposed rulemaking in the Federal Register. By this means, it is intended to give due publicity of the action proposed. Persons interested in the proposed text of the regulations are given an opportunity to comment in writing and orally at a public hearing. After consideration of comments and recommendations, accepted changes are made in the proposed text and a Treasury Decision containing the final regulations is prepared, signed by the Commissioner, approved by the Secretary of the Treasury or his delegate and published in the Federal Register. These regulations have the force and effect of law.

Occasionally it is necessary or appropriate to omit publication of a notice of proposed rulemaking. Under certain conditions taxpayers may be required to make important decisions under a new law soon after its enactment. In such cases temporary regulations are published without prior notice, followed by permanent regulations issued in the usual manner. In some cases it is permissible for regulations to be published without a notice of proposed rulemaking where a notice would be unnecessary or impractical or where the needs of the public are better served without such notice.

Thirty-seven final regulations, one temporary regulation, and 29 notices of proposed rulemaking, relating to matters other than alcohol, tobacco, and firearms taxes, were published in the Federal Register during the year. Thirteen public hearings attended by over 700 persons were held on proposed regulations.

Sixteen Treasury Decisions and eight notices of proposed rulemaking were issued relating to the administration of alcohol, tobacco, and firearms regulations.

chapter 2

Data Processing Activities

Gross Collections Increased $34.3 Billion.

More than 70 Percent of Total Collections Processed through Federal Tax Deposit System.

ADP System Accelerated Refunding Program Including Quick Refunds to Corporations.

Mathematical Verification Results in High Yield for Government.

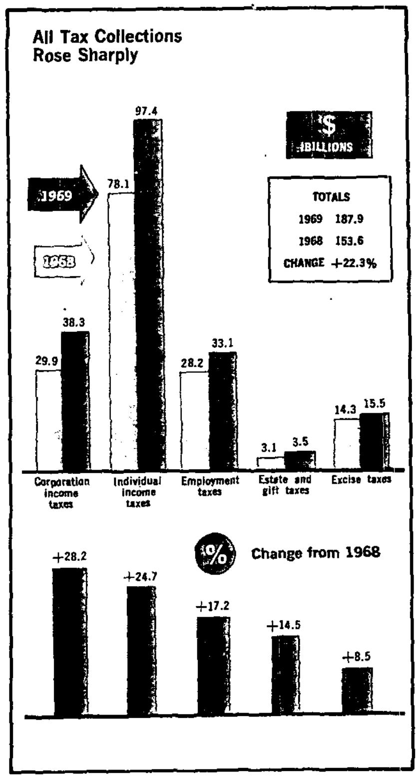
Continued Upward Trend in Returns Filed.

More Corporations Report Tax Information on Magnetic Tape.

Gross Collections Again Set a Record

Gross collections rose to an all-time high of $187.9 billion. The increase, $34.3 billion (22.3 percent) over last year, was the largest ever recorded. Economic conditions, the income tax surcharge, an increase in the rate of Federal Insurance Contributions Act taxes from 8.8 to 9.6 percent, and an increase in base coverage from $6,600 to $7,800 on January 1, 1968, were strong contributing factors in achieving the record level.

More than 70 percent of total collections were processed through the Federal tax deposit system. This system provides for payment of taxes directly to designated banks and was established to accelerate the deposit of taxes to the credit of the Treasurer of the United States.



Substantial gains were noted in every major class of tax. The largest increase in 1969 occurred in individual income tax withheld at source (including FICA taxes) which totaled $103 billion for a gain of $17.5 billion, or 21.3 percent, over the preceding year.

A large gain was achieved in corporation income tax payments, up $8.4 billion over 1968, for a total of $38.3 billion. This represented a firm recovery from the decline in 1968 which had broken a steady upward trend started in 1963. This year's total not only regains the pace but exceeds collections for 1967, previously the highest year in corporation income tax receipts.

Excise tax collections reached $15.5 billion, an increase of $1.2 billion over the previous year. This is the first year that excise revenue has exceeded that of 1965, the previous top year in this category. Collections in subsequent fiscal years were affected by the Excise Tax Reduction Act of 1965, which repealed retailer's excise taxes and either rescinded or scheduled for eventual elimination many other excise taxes.

The following table shows a comparison of collections for fiscal years 1968 and 1969:

Gross internal revenue collections

[Dollars in thousands. For details see table 3, p. 106]

Source	Percent of 1969 collections	1968	1969	Increase or decrease: Amount	Increase or decrease: Percent
Grand total [1]	100.0	$153,636,838	$187,919,560	$34,282,722	22.3
Income taxes, total	72.3	r 108,148,565	135,778,052	27,629,487	25.5
Corporation	20.4	29,896,520	38,337,646	8,441,126	28.2
Individual, total	51.9	r 78,252,045	97,440,406	19,188,361	24.5
Withheld by employers [2]	37.3	r 57,300,546	70,182,175	12,881,629	22.5
Other [2]	14.5	r 20,951,499	27,258,231	6,306,732	30.1
Employment taxes, total	17.6	r 28,085,898	33,068,657	4,982,759	17.7
Old-age and disability insurance, total	16.8	r 26,620,648	31,489,943	4,869,295	18.3
Federal insurance contributions	15.8	r 25,076,796	29,775,392	4,698,596	18.7
Self-employment insurance contributions	.9	r 1,543,852	1,714,551	170,699	11.1
Unemployment insurance	.3	606,802	640,030	33,228	5.5
Railroad retirement	.5	858,448	938,684	80,236	9.3
Estate and gift taxes	1.9	3,081,979	3,530,065	448,086	14.5
Excise taxes, total	8.2	14,320,396	15,542,787	1,222,391	8.5
Alcohol	2.4	4,287,184	4,554,153	266,969	6.2
Tobacco	1.1	2,121,769	2,137,877	16,108	.8
Other	4.7	7,911,443	8,850,757	939,314	11.9

[1] Collections are adjusted to exclude amounts transferred to the Government of Guam. For details see table 1, p. 98 and footnote 5, p. 108.

[2] Estimated.—Collections of individual income tax withheld are not reported separately from old-age and disability insurance taxes on wages and salaries. Similarly, collections of individual income tax not withheld are not reported separately from old-age and disability insurance taxes on self-employment income. The amount of old-age and disability insurance tax collections shown is based on estimates made by the Secretary of the Treasury pursuant to the provisions of sec. 201(a) of the Social Security Act as amended, and includes all old-age and disability insurance taxes. The estimates shown for the 2 classes of individual income taxes were derived by subtracting the old-age and disability insurance tax estimates from the combined totals reported.

r Revised.

Prompt Refunding Program

Although the Internal Revenue Service is customarily viewed as a tax collection agency, approximately two out of every three individual income taxpayers once each year look to the Service for prompt action in refunding money to them. This year, 49.6 million refunds amounting to $12.9 billion were issued in all tax classes. Most taxpayers received their refunds within a 4- to 6-week period. The timeliness of the refunding process is illustrated by the fact that interest of less than one cent was paid for each dollar refunded.

The number of refunds issued decreased by 4.5 percent from the preceding year. This decline is primarily attributable to the enactment of the income tax surcharge.

Refunds to Corporations Expedited

With enactment of the Revenue Expenditure and Control Act of 1968 corporations may now apply for adjustment ("quick" refunding) of estimated tax overpayments. Previously, refunding of estimated income taxes could not be accomplished until the income tax returns had been filed.

Duplicate Refunds Detected

Now that accounts for all of the Nation's individual income taxpayers are incorporated in the master file, a problem which has plagued the Service since the inception of the withholding system has been largely overcome. This involves taxpayers filing more than one income tax return claiming a refund for the same taxable period. Under automatic procedures, a duplicate refund is identified immediately, and investigation is undertaken before the refund is released to the taxpayer. Most of the duplicate returns are filed to correct the original return, or to correct filing errors; few are attempts to defraud the Government. This year, duplicate refund requests totaling $6.4 million were detected.

The following table presents data on refunds by class of tax for 1968 and 1969:

Internal Revenue refunds, including interest

[For refunds by region and district, see table 5, p. 111]

Type of tax	Number		Amount refunded (principal and interest—thousand dollars)		Amount of interest included (thousand dollars)	
	1968	1969	1968	1969	1968	1969
Total refunds of internal revenue [1, 2]	r 51,899,108	49,607,120	r 11,420,617	12,942,604	120,552	100,095
Corporation income taxes	149,695	227,068	1,313,389	1,735,051	81,543	74,963
Individual income and employment taxes, total [3]	r 51,706,096	49,326,589	r 9,829,888	10,839,659	34,304	16,238
Excessive prepayment income tax [3]	51,039,242	48,584,804	9,315,085	9,944,210	16,337	15,373
Other income tax and Federal Insurance Contributions Act taxes [3, 8]	r 632,652	703,647	508,502	877,605	17,714	13,588
Railroad retirement	413	536	521	165	13	6
Unemployment insurance	33,789	37,602	5,780	7,680	240	271
Estate tax	7,677	8,944	33,888	44,413	3,692	6,680
Gift tax	817	1,234	1,229	1,691	141	213
Excise taxes, total [7]	34,823	43,285	242,223	321,790	872	2,001
Alcohol taxes [4]	8,473	9,063	98,632	108,811	9	14
Tobacco taxes [4]	281	284	1,439	1,584	(*)	(*)
Manufacturers' and retailers' excise taxes, total [7]	5,132	7,968	125,682	193,036	273	615
Gasoline used on farms	427	534	87,015	134,124	-------	-------
Gasoline, nonhighway	1,275	2,354	26,503	37,715	-------	-------
Other [5]	3,430	5,080	12,164	21,197	273	615
All other excise taxes [6]	20,937	25,970	16,470	18,359	590	1,373

r Revised. *Less than $500.

[1] Figures have not been reduced to reflect reimbursements from the Federal Old-age and Survivors, Federal Disability, and Federal Hospital Insurance Trust Funds amounting to $604,953,000 in 1969 and $262,715,000 in 1968; from the Highway Trust Fund amounting to $223,755,000 in 1969 and $114,387,000 in 1968; and from the Unemployment Trust Fund amounting to $6,852,000 in 1969 and $5,829,000 in 1968.

[2] Net of 127,547 undeliverable checks totaling $18,539,000 in 1969 and 165,809 undeliverable checks totaling $24,137,000 in 1968.

[3] Includes refunds "not otherwise classified."

[4] Includes drawbacks and stamps redemptions.

[5] Includes lubricating oil used for nonhighway purposes.

[6] Includes narcotics, silver, wagering (excise and stamps), capital stock, and other excise tax refunds.

[7] Excludes gasoline tax refunds.

[8] Includes excess FICA credits.

Upward Trend in Returns Filed

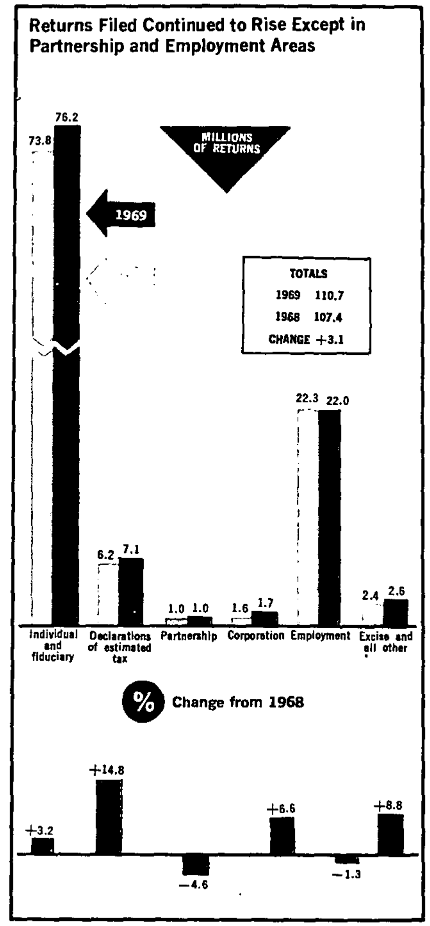
A substantial pattern of growth continued when more than 110 million tax returns of all types were filed in 1969, an increase of 3 million returns over last year. The number of Forms 1040 and 1040A rose by nearly 2.3 million to a total of 75 million, and accounted for 68 percent of the total. The table at the right presents data on returns filed by type of return for 1968 and 1969:

Number of returns filed, by principal type of return

[Figures in thousands. For details, see table 6, p. 112]

Type of return	1968	1969
Grand total	r 107,382	110,659
Income tax, total	r 83,245	86,702
Individual and fiduciary, total	73,839	76,215
Individual-citizens and resident aliens, total	72,679	74,962
Forms 1040	54,062	57,229
Forms 1040A	18,617	17,733
All other individual and fiduciary	1,159	1,253
Declarations of estimated tax, total	r 6,187	7,102
Individual	r 6,154	7,096
Corporation	33	6
Partnerships	1,002	956
Corporations	1,623	1,730
Other	595	698
Employment tax, total	22,323	22,032
Employers' Form 941	15,556	15,426
Employers' Form 942 (household employees)	4,406	4,349
Employers' Form 943 (agricultural employees)	629	563
Railroad retirement, Forms CT-1, CT-2	23	21
Unemployment insurance, Form 940	1,709	1,674
Estate tax	119	123
Gift tax	139	151
Excise tax, total	1,557	1,650
Occupational tax	948	1,016
Form 720 (retailers, manufacturers, etc.)	310	300
Alcohol	21	23
Tobacco	6	5
Highway use tax	220	249
Other	52	56

r Revised.



It is not only the Government that benefits from the delinquency check. Many taxpayers, by means of the delinquency check, are reminded to file a return in order to receive refunds of their overpaid taxes.

During 1968, a delinquency check was performed for tax year 1965 for the regions which were then incorporated in the master file. This resulted in the securing of 20,000 returns indicating a balance of tax due, including penalty and interest of $4.3 million; overpayments of $1.2 million; and a net yield of $3.1 million. In 1969, a delinquency check was performed for tax years 1966 and 1967 for all the Nation's individuals who are entered in the master file. Preliminary results for tax year 1966 show that more than 60,000 returns were secured, reflecting a balance due of $11.3 million; overpayments of $4.8 million; for a net yield of $6.5 million.

Nonfilers Are Identified

The Service is now able to use information documents and social security information recorded on tape to make computer comparisons to identify nonfilers. Further, it is possible, through master file comparison of the filing records, to select for investigation those taxpayers not appearing on the current record.

Mathematical Verification Produces Benefits

One of the principal benefits of computer processing of returns to the taxpayers' and Government alike is the electronic verification of the taxpayers' arithmetic. Approximately 5-percent of the individuals who filed income tax returns in 1969 made mistakes in their favor. About 3-percent of the taxpayers made errors against themselves. Errors in addition, subtraction, and improper use of tax tables or schedules were common mistakes detected. The verification process resulted in adjusting liabilities upward in the amount of $315.1 million, and adjusting others downward by $140.2 million, providing a net yield of $174.9 million.

The program also included a process for checking the credits claimed by taxpayers for estimated tax payments. This resulted in a net yield for the Government of $213 million, in addition to the assessment of $43 million in statutory penalties for failure to make required estimated tax payments.

During the year, 65.8 million Forms 1040 and 1040A were mathematically verified, compared with 74.9 million last year. The decrease is due primarily to (1) a reduction of 5.6 million in the number of returns carried over from June 1968 to be processed in fiscal 1969, and (2) the deferment of a substantial number of full paid returns from June 1969 to fiscal year 1970 processing because of manpower limitations. Detailed results of this year's program are shown in the following table.

Individual income tax returns mathematically verified

Item	Total		Form 1040		Form 1040A	
	1968	1969	1968	1969	1968	1969
Number........thousands..	74,926	65,823	57,063	50,986	17,863	14,837
Number of returns on which changes were made........do....	5,034	5,360	3,824	3,837	1,210	1,523
Returns with increase:						
Number........do....	3,008	3,314	2,288	2,348	720	966
Amount........thousand dollars..	266,763	315,103	210,989	243,552	55,774	71,551
Returns with decrease:						
Number........thousands..	2,026	2,046	1,536	1,489	490	557
Amount........thousand dollars..	135,867	140,236	107,770	107,976	28,097	12,260
Net yield:						
Total........do....	130,896	174,867	103,219	135,576	27,677	39,291
Average per return verified........dollars..	1.75	2.66	1.81	2.66	1.55	2.65

Exempt Organization Master File Centralized

The Service intensified its efforts to improve the effectiveness of the Exempt Organization Master File System (EOMF) in 1969 to support administration of the exempt organization provisions of law. Centralization of EOMF processing responsibilities in a permanent group working exclusively on exempt organization matters at the Mid-Atlantic Service Center promotes uniformity in data collection, reduction of processing discrepancies, and consistent treatment of exemption matters, thereby enhancing efficiency, currency, and economy of EOMF operations.

Centralization of the EOMF operation also prompted centralized filing and processing of exempt organization returns at the Mid-Atlantic Service Center, thus increasing the potential for controlling returns in process and making them more readily available for other Service needs, as well as for developing more practical and effective delinquency programs.

An EOMF listing of 30,078 exempt organizations that qualify under existing law as private foundations was furnished to Subcommittee No. 1 of the Select Committee on Small Business of the House of Representatives, which in turn published the list and made it available to the general public through the Superintendent of Documents.

During the year, the number of organizations on the master file increased 20 percent, from 358,000 to 416,291, more than half of which are local organizations covered by group exemptions. The distribution of exempt organizations on the master file on December 31, 1968, shown according to sections and subsections of the Internal Revenue Code of 1954, was as follows:

Exempt organizations on master file

Exemption subsection	Number of organizations
501(c)(1)................	961
501(c)(2)................	3,992
501(c)(3)................	137,487
501(c)(4)................	104,546
501(c)(5)................	77,737
501(c)(6)................	27,594
501(c)(7)................	36,189
501(c)(8)................	989
501(c)(9)................	4,330
501(c)(10)................	467
501(c)(11)................	14
501(c)(12)................	4,211
501(c)(13)................	3,809
501(c)(14)................	5,022
501(c)(15)................	1,728
501(c)(16)................	39
501(c)(17)................	674
501(d)................	40
521................	6,462
Total................	416,291

The number of exempt pension trusts on the master file rose 25 percent, from 106,000 to 133,000, during the year.

Tax Forms Simplified

The search for improvement and simplification in tax reporting, although sometimes frustrating, is a never-ending one. The ultimate test of the success of the Service's efforts to simplify a particular form is the acceptance it gains with the public.

A new form (Form 1040X) initiated in 1968 was widely used by taxpayers in amending individual income tax returns. The appeal of this one-page form is its simplicity. It relieves the taxpayer of the chore of completing all of the entries on Form 1040 in order to amend his return. The new form requires from the taxpayer only those items of information necessary to reflect the change being made. Accelerated processing, made possible by the ADP system, enables the Service to issue refunds to filers of this new form much more expeditiously.

A new style form was also introduced for individuals who are required to make quarterly payments of estimated tax. Each taxpayer who appears to be potentially subject to this requirement of law is mailed a package containing the forms he may need during the year to make his payments. The taxpayer's name, address, and social security number are preprinted on the forms exactly as they appear in the tax records. Self-addressed envelopes for use in making the payments are also included for the taxpayer's convenience. This system, which is substantially similar to widespread commercial practice, is designed to provide additional assurance that the taxpayer's payments are credited to the proper account.

All taxpayers will have the benefit next year of a new individual income tax return. The new return, which will continue to be known as Form 1040, will replace the earlier version of that form as well as the card Form 1040A. Essentially the return consists of a single sheet supplemented, wherever necessary, by separate schedules. This arrangement provides an improved way of organizing the information required under the tax laws.

It is estimated that 31 million taxpayers will require only a single sheet of paper to report their 1969 incomes. Another 22 million filers will need to attach one additional schedule. Individuals who previously filed Form 1040A will find that the new form offers them an advantage not provided by the card form of claiming such things as itemized deductions, sick pay exclusion, and retirement income credit.

Expanded Computer Operations

Magnetic Tape Reporting Expands

The growing tendency on the part of the business world as well as the Government, to use the computer to help solve paperwork problems is becoming more evident each year. There is an increasing trend toward using magnetic tape instead of paper to meet reporting requirements between Government agencies and between the Government and private industry. The Internal Revenue Service is using such tape in reporting the self-employment information it receives on individual income tax returns to the Social Security Administration for posting to the social security accounts of these taxpayers. This technique affords both agencies substantial manpower savings and instills a higher degree of accuracy in the recording of this information.

A large number of corporations, banks, and other businesses are using magnetic tape to submit required information reports on such things as interest and dividends paid to investors and the wages they pay to their employees. This year 47.6 million information reports were received in this manner as compared to last year's receipts of 34 million.

Direct Data Entry System Installed

A new system for taking information from tax returns and documents and preparing it for computer processing was successfully installed in the Southwest Service Center this year. The system is called Direct Data Entry. It enables an operator to transcribe information directly from the documents onto magnetic tape without going through the intermediate step of putting the data on keypunch cards. The equipment performs certain arithmetic and validity checks as the data are transcribed and it signals the operator when an error is discovered. The operator can also see on a video tube the

This young lady is operating a direct data input station installed in the Austin Service Center. More efficient than traditional keypunch-key verify operations, it eliminates card punching through use of a keyboard machine that directly accesses to the computer with internal verification and display of information. This time-saving equipment is scheduled for installation in all seven service centers.

data transcribed so that if a mistake is made it can be corrected immediately. This reduces the need for verification required under the keypunch system and simplifies error resolution. The system is scheduled for installation in all service centers by 1971.

Instant Retrieval System Under Test

A test is underway in the Southwest Region of a new system designed to enhance the Service's ability to provide taxpayers with much more rapid answers to questions about the status of their accounts or a variety of other pending matters. The system is centered on a random access computer linked to video inquiry stations located in the service center and the district offices within the region. This new technology will enable the Service to retrieve information within seconds that now requires much more time-consuming and expensive research. Its successful testing promises much faster service to taxpayers and more economical operations.

chapter 3

Enforcement Activities

Audit Recommends Additional Tax and Penalties of $3 Billion, 3 Percent Higher than Last Year.

Overwhelming Majority of Appealed Cases Closed by Agreement with Taxpayer.

Computer Utilized in Delinquent Returns Program.

Value of Taxpayer Delinquent Accounts Inventory Increases.

Tax Fraud Investigations Intensified.

New Legislation Expands Firearms Program.

Introduction

The Service expends a substantial portion of its resources on enforcement activities for the purpose of insuring that tax liabilities have been properly determined and paid. These major activities include auditing returns, considering appeals, securing delinquent returns, collecting delinquent accounts, investigating allegations of fraud, and enforcing the laws relating to alcohol and tobacco products and firearms. Computer technology has been a valuable tool in supplementing the human resources devoted to enforcement and the increased use of the APD system has been an additional deterrent to delinquency and fraud. Some of the more important accomplishments of the Service's enforcement activities are set forth below.

Effective Audit Program Critical to Compliance

Tax returns are audited either by internal revenue agents at the taxpayer's place of business (field audits) or by tax auditors who interview or correspond with taxpayers from offices of the Service (office audits). Income tax audits conducted by internal revenue agents usually involve the larger more complex returns requiring broad professional accounting skills. Returns with less complex issues are assigned to tax auditors. Continued shift of emphasis toward more interviews rather than correspondence audits largely accounts for the decline in the number of income tax office audits conducted in 1969. (See table.) Although interview audits generally require more time to complete, the additional time is repaid in terms of audit effectiveness and better communications with taxpayers.

A portion of available audit resources is expended on examinations of estate, gift, and excise taxes. During the year, 6.2 percent of total direct examination time was expended on estate and gift tax returns and 2.2 percent on excise tax examinations. Audit coverage in the employment tax area derives mainly from income tax audits. Internal revenue agents examining income tax returns of business taxpayers verify assessed liabilities for employment taxes.

The audit program record for 1969 is particularly noteworthy. Despite budgetary and personnel limitations, 2.5 million audits were completed, only 12.4 percent fewer than recorded for 1968. Additional tax and penalties recommended totaled $3 billion which was 3 percent higher than the total for the previous year.

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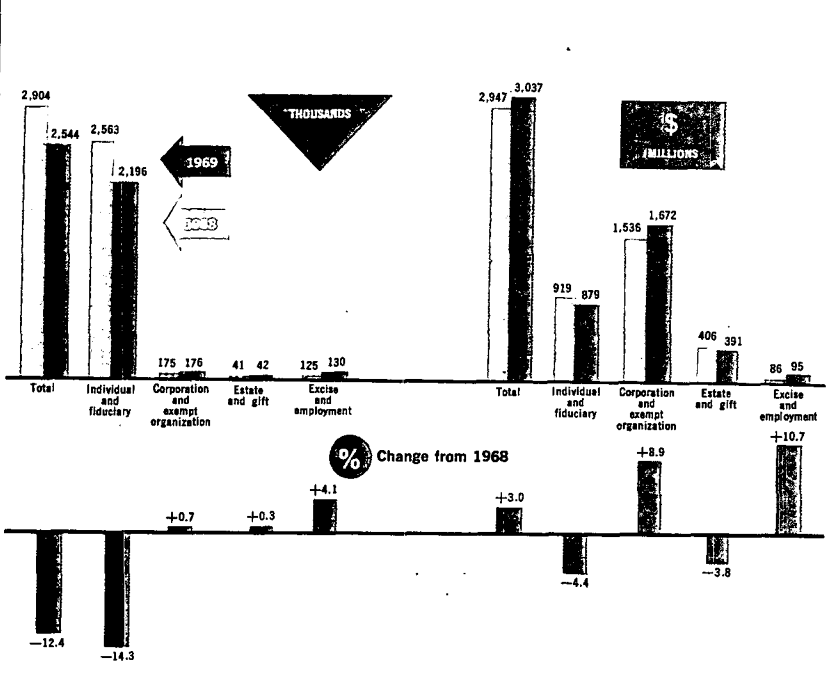
Number of Tax Returns Examined and Additional Tax and Penalties Recommended



The following table compares numbers of returns audited in 1968 and 1969 by type of return.

Number of tax returns examined

[Figures in thousands]

Type of return	Total		Field		Office	
	1968	1969	1968	1969	1968	1969
Grand total	2,904	2,544	747	698	2,157	1,846
Income tax, total	2,738	2,373	601	549	2,136	1,823
Corporation	163	164	162	163	1	1
Individual and fiduciary	2,563	2,196	427	374	2,135	1,822
Exempt organization	12	12	12	12	(1)	(1)
Estate and gift tax	41	42	38	37	4	4
Excise and employment tax	125	130	108	111	17	19

[1] Less than 500.

Audits Disclose Overassessments

The basic purpose of a tax audit is to determine the taxpayer's correct taxable income and his correct tax liability. Responsibilities of internal revenue agents and tax auditors in carrying out tax audits extend equally to the taxpayer as to the Government. This means that examining officers have equal responsibility for discovering and recommending an overassessment where a taxpayer has erred in favor of the Government. In 1969 audits of returns, not involving claims for refund, disclosed $203.7 million in overassessments. The following table shows these overassessments by type of tax:

Overassessments of tax exclusive of claims for refund

Type of tax	Amount recommended (thousand dollars)	
	1968	1969
Total	177,929	203,747
Individual and fiduciary income	51,019	48,082
Corporation income	94,884	135,335
Estate	28,945	16,238
Gift	1,138	948
Excise	1,431	2,133
Employment	512	1,011

New Techniques Used in Selection of Returns for Audit

For several years the Service has used computers to review income tax returns and identify those with high error probability. This year a much more sophisticated computer selection technique was introduced called "discriminant function." This technique is basically one of assigning numeric weights—negative as well as positive—to certain return characteristics. The weights, plus or minus, were determined according to the relative significance of the return characteristic as an indicator of error.

The new computer technique was used this year to select for audit a substantial number of individual income tax returns. Other sets of weights or formulas have been developed and will be used to select from the other income classes of individual returns beginning in 1970.

The new selection technique for the first time affords a uniform standard nationwide for selecting returns for audit. The system is expected to reduce substantially the number of audits that result in little or no tax change. And, of course, will conserve the manpower previously used to screen returns visually prior to final selection.

Claims for Refund

The filing of claims for refund creates an additional audit workload. Claims for refund stem from a variety of causes. Discovery of an error of overpayment by the taxpayer accounts for a large portion of the volume. Other claims stem from certain Internal Revenue Code provisions, such as the net operating loss carryback which allows recovery of taxes paid in an earlier year because of a business loss in a subsequent year.

About two-thirds of all claims for refund referred for audit screening are verified and disposed of by reference to Service records and do not require a contact with the taxpayer. Where judgment of the merits of a claim requires examination of the taxpayer's records, the same policies and standards as to the extent of the examination, evaluation of evidence and opportunity for appeal are applicable as would govern a regular tax audit.

District and service center audit staffs closed 356,980 claims for refund in 1969. Of $506,955 million claimed, $226,272 million was allowed. The greatest number of claims related to individual income tax, 308,620, followed by 31,765 corporation income tax claims. Corporation claims involved $265,241 million, while the individual claims involved $171,923 million.

Section 6405 of the Internal Revenue Code of 1954 requires reports to the Joint Committee on Internal Revenue Taxation of any refunds and credits of income, war profits, excess profits, estate and gift tax exceeding $100,000. During the year, 685 cases involving overassessments of $393.7 million, were reported to the Joint Committee.

The following table shows data on claims closed by audit during fiscal years 1968 and 1969:

Claims for refund disposed of by district audit divisions, fiscal years 1968 and 1969

Class of tax	Closed by audit divisions [1]							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Allowed		Disallowed	
	1968	1969	1968	1969	1968	1969	1968	1969
Total	368,010	353,361	400,116	394,653	212,523	217,549	187,593	177,103
Individual income	317,429	306,916	148,805	162,334	108,352	117,689	40,453	44,645
Corporation income	30,246	30,708	186,884	171,195	83,147	78,512	103,737	92,683
Estate	2,000	2,364	18,065	29,232	7,550	12,024	10,515	17,208
Gift	274	396	1,231	7,919	346	509	885	7,410
Excise	10,159	7,359	41,534	19,936	11,655	7,617	29,879	12,318
Employment	7,902	5,618	3,597	4,037	1,473	1,198	2,124	2,839

Class of tax	Protested-transferred to appellate divisions							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Recommended by audit divisions			
					Allowed		Disallowed	
	1968	1969	1968	1969	1968	1969	1968	1969
Total	4,404	3,619	153,714	112,302	13,030	8,723	140,683	103,579
Individual income	1,948	1,704	12,020	9,589	1,051	1,106	10,969	8,482
Corporation income	1,369	1,057	116,538	94,046	11,469	7,476	105,068	86,570
Estate	139	123	10,271	5,697	445	112	9,826	5,586
Gift	58	34	341	262	—	1	341	261
Excise	611	462	14,191	2,590	59	16	14,132	2,574
Employment	279	239	353	1,118	6	12	347	106

[1] Includes claims allowed in full without formal examination of the return: 1968—253.8 thousand returns and $107.2 million; 1969—261.7 thousand returns and $124.1 million.

New System of Workload Controls To Be Introduced

Continued effort was made to complete examination of individual returns within 26 months and corporation returns within 27 months of the date of filing. Expeditious audits save interest costs for both taxpayers and the Government where tax changes result. Prompt completion of audits also minimize the need for extensions of the period of limitations for assessment and overassessment.

After almost two years of feasibility study and preparation of specifications the Service will soon have in operation a computerized reports system that will: Provide monthly inventories of returns at various stages in the audit process; age returns in inventories and classify over-age groups by reason for delay so that managers can identify problem areas quickly and adjust priorities or take other timely action as the case may be; and reduce the files of audit record cards, now maintained in district offices, to microfilm registers. The system promises substantial savings in technical and clerical manyears.

Plans Formulated for Intensified Exempt Organization Program

Plans for a highly intensified exempt organizations enforcement effort were adopted and implementation was begun in 1969. The main thrust of the plan is the centralization of exempt organizations audit work, both the processing of applications and audits of organizations, in about 13 key districts. At least one group of 15 to 20 specially trained internal revenue agents under the direction of a specialist supervisor will be attached to each of these districts. Specialist reviewers and conferees will also be attached to the key districts.

Internal revenue agents and other specialists assigned to exempt organizations work will be given special training beyond the scope of tax law and accounting—for example, basics of sociology, political science, and economics.

Functional leadership of the increased exempt organizations effort is vested in a new exempt organization examination branch established in the National Office Audit Division. This organization will design the broad nationwide exempt organizations audit program and develop specifications for the annual work plan for each key district. Work plan execution will be controlled by close supervision of the process of selecting returns and assigning them to key districts for examination. Broader uses will be made of the Exempt Organization Master File in determining selections of exempt organization returns for examination.

During this fiscal year the Service examined returns of 11,845 exempt organizations and recommended revocation of exemptions in 167 cases. The number of examinations is expected to rise substantially under the revitalized program.

Coordinated Audit Techniques Proving Effective

The coordinated examination program continued as a significant phase of total audit activity. As of the end of the year 1,400 corporations had been identified which met the coordinated examination case criteria. These corporations have effective control over 28,000 sub-entities. About 10,000 of these large case examinations were in process at year end.

Plans have been approved for a new Coordinated Examination Branch in the Audit Division of the National Office. The new branch will provide the leadership essential to overall planning and uniform nationwide execution of the program. It will monitor and assist, on a case-by-case basis, development of audit plans; scheduling of examinations; and application of resources including use and makeup of audit teams and assistance by support districts. The new branch also will develop prototype audit plans and audit aids and techniques useful in the examination of large complex cases.

Several National Office sponsored meetings of internal revenue agents and coordinated examination case managers were held during the year for exchange of information and experiences on matters peculiar to particular industries. These meetings are valuable to Nationwide uniformity and consistency in the identification and treatment of tax issues.

Servicing Departing Aliens

Section 6851(d) of the Internal Revenue Code provides that no alien shall depart from the United States unless he first procures a certificate that he has complied with the obligations imposed upon him by the income tax laws.

Resources required to assist departing aliens and to issue compliance certificates where appropriate have risen sharply in recent years. Audit personnel processed over 400,000 inquiries from aliens and issued 227,000 certificates of compliance during 1969.

Plans are currently being implemented, in the interests of conserving audit resources, to place the remaining taxpayer assistance portion of the departing alien activitiy with taxpayer service employees.

Interest Equalization Tax

As of June 30, 1969, 1,071 brokerage firms and 66 banks were designated as participating firms or participating custodians under the interest equalization tax provisions. This designation permits the participant to certify (under certain circumstances) as to compliance with the interest equalization tax provisions of the law governing transactions involving foreign securities and debt obligations. To receive designation as a participating firm or custodian the applicant must notify the Service that it agrees to comply with certain documentation, recordkeeping, reporting, and auditing requirements. Consequently, a large part of the audit activity in connection with interest equalization tax involves inspection of participants' records systems to assure compliance with recordkeeping and auditing requirements of the law. In 1969, internal revenue agents inspected records systems of 968 participating firms and custodians.

Other interest equalization tax activity during fiscal 1969 involved examinations of 1,737 Form 3780, Interest Equalization Quarterly Tax Returns. These examinations resulted in recommendations of $9.3 million in additional tax and penalties.

Advisory Art Valuation Panel Proves Effective

A 10-man panel of art experts was created in 1968 to help the Service determine whether realistic appraisals or fair market value have been placed on works of art donated to charity and claimed as deductions on tax returns. Creation of the panel was suggested by the Association of Art Museum Directors as an instrument that could provide the Service with independent expert judgments of the values of art objects.

Activities of the panel have been highly successful in reducing controversies over art valuations. During 1969 the panel reviewed 396 works of art valued for tax purposes at $13.9 million. It recommended that claimed values of 167 of the art items be reduced by an aggregate of $2.7 million. A list of members appears on page 65.

Appeals System Provided for Taxpayers

Taxpayer Has Opportunity for Independent Administrative Review

The appeals procedure of the Service provides the taxpayer with an opportunity for a prompt, convenient, and independent review of his case when he does not agree with proposed adjustments to his tax liability. The purpose of the procedure is to present an opportunity for resolving tax disputes, without litigation, on a basis which is fair and impartial to both taxpayer and Government.

The appeals function operates at both district and regional levels. Both offices handle appeals on overassessments and on deficiency cases involving all internal revenue taxes except those on alcohol, tobacco, firearms, narcotics, and wagering. Both consider cases which range from the simplest to the most complex, from single issue cases to those with many issues, from those involving few dollars to those involving millions of dollars. Both offices have the same objective—to effect an early disposition of each case on a basis which reflects a fair administration of the law—although there are some differences in their authority and jurisdiction.

In an overwhelming majority of cases a mutually satisfactory answer to the disagreement is found at either the district or regional level and the dispute ended administratively rather than through litigation. As a result, less than 2-percent of all contested tax cases have reached the courts in recent years.

Early Hearings Provided

The appeals procedure is designed to achieve disposition of disputed cases with minimum inconvenience, expense, and delay to the taxpayer. The appeals function is decentralized, affording the taxpayer opportunity to discuss his unagreed case at one of 58 district directors' offices and, if agreement is not reached, at one of the 40 branch offices of the regional appellate division. The Service also provides conference opportunities, on an as-needed basis, at other locations where conference staffs are not maintained.

Both district and regional offices offer conferences within a short time after the case is received. The convenience of the taxpayer as to date and time is a paramount consideration. In cases in which the disputed tax is less than $2,500, a written protest is not required for conference in the district office. The same rule applies in the regional appellate office provided the taxpayer has first availed himself of a district conference. Proceedings in both offices are informal in nature and the taxpayer may represent himself or be represented by a tax practitioner. Both offices are independent of the examination branch and give completely independent and impartial consideration to the issues in controversy.

As an additional convenience, the Service has recently provided that in office audit type cases, the taxpayer will be provided with an immediate conference at the time of examination, if he desires and circumstances permit. The Service is also revising its statutory notices to the taxpayer to advise him in appropriate cases of the small case procedures now available before the Tax Court.

If agreement is not reached at either the district or regional office, the taxpayer can in most cases file an appeal with the Tax Court. Even though this is done and the case has been docketed for trial, the taxpayer may still carry on settlement negotiations with the regional appellate division. As an alternative to trial in the Tax Court the taxpayer can take his case to a U.S. District Court or the Court of Claims, but this requires payment of the proposed deficiency in tax, followed by the filing of refund claims and suit against the Government.

Actually, most cases are settled with the Service. For 1969, the appeals function disposed of 52,599 cases by agreement. There were 720 cases tried in the Tax Court and 471 cases tried in the District Courts and Court of Claims.

Districts were able to obtain agreements in 65 percent of the cases closed during 1969.

District conference activity is set forth in the following table:

District conference case work-load

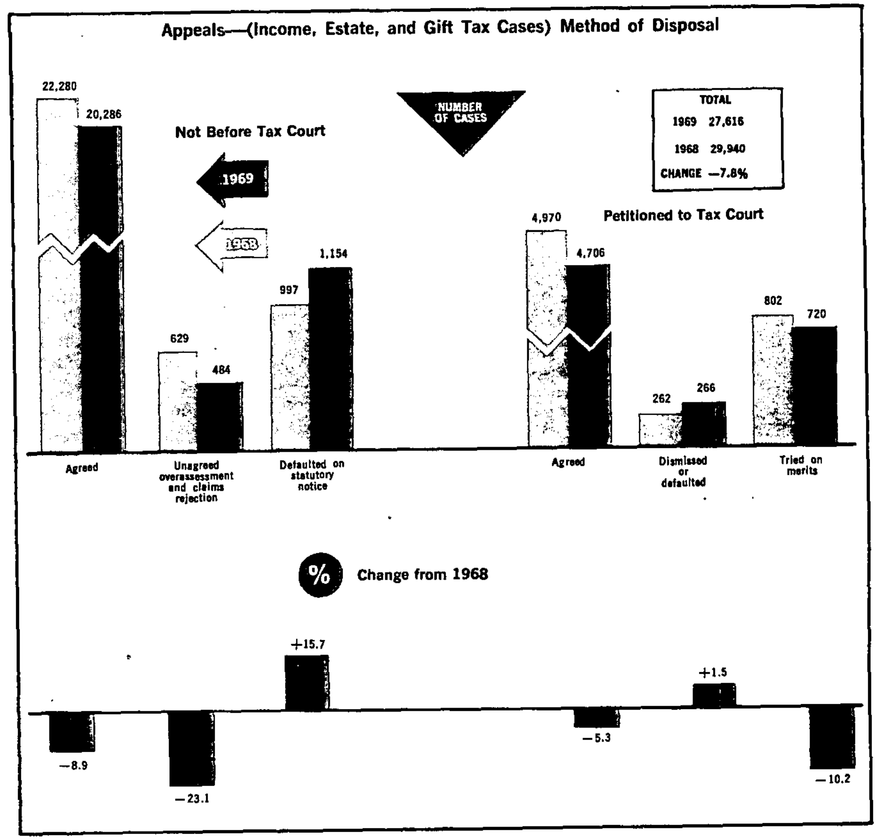
Item	Field audit	Office audit	Total
Cases pending July 1	8,953	3,000	11,953
Cases received	25,343	15,122	40,465
Conferences completed	25,367	15,012	40,379
Number agreed	15,647	10,739	26,386
Agreed as a percent of total	62	72	65
Cases pending June 30	8,929	3,110	12,039

Appellate Receipts and Disposals

Case receipts in appellate offices in 1969 were very close to receipts for 1968, 33,103 compared to 33,213. Average disposals of 49 cases per appellate conferee remained high. Inventory was up 3 percent over the prior year, but remained in current condition.

Over 80 percent of appellate workload is made up of nondocketed cases (those not docketed for trial in the Tax Court). In 1969, 81 percent of these cases were closed by agreement with the taxpayer. Agreements have averaged 81 percent over the past 5 years.

Taxpayers filed petitions for hearings before the Tax Court in 5,981 cases in 1969. Settlement negotiations on these docketed cases continue between taxpayers and the Service and most are ultimately settled. The result is that for 1969, 83 percent of all docketed case disposals were closed by agreement with the taxpayer.



The following table shows the processing of both nondocketed and docketed cases in 1968 and 1969. (For additional information see tables 16 and 17, page 119.)

Appellate Division processing of all cases for 1968–1969 (Income, estate, gift, excise, employment, and offers in compromise)

Status	Number of cases	
	1968	1969
Pending July 1	33,097	31,264
Received	33,213	33,103
Disposed of, total	35,046	32,340
By agreement	28,386	26,213
Unagreed (overassessments, claims, excise, employment, and offer-in-compromise rejections)	1,473	1,373
By taxpayer default on statutory notice or dismissal by Tax Court	1,259	1,450
By petition to the Tax Court	3,126	2,584
Tried in the Tax Court	802	720
Pending June 30	31,264	32,027

Increased Activity in Delinquent Returns Area

Low delinquent account inventories at the beginning of the year permitted the deployment of additional enforcement personnel to delinquent returns activity for an extended period. The Service secured delinquent returns valued at $309.1 million in tax, interest, and penalties during the year. The major portion (740,000 returns assessed at $253 million) was secured through the established delinquent returns program. The balance was secured as a byproduct of audit examination.

Operations Under ADP Broadened

Planning and study in prior years concerning delinquent filers culminated in a broadening of ADP operations in several delinquent return program areas during 1969. Major among these were the delinquency check computer programs conducted nationwide for the first time for the individual master file and the exempt organization master file.

The individual master file operation consists of an annual check for nonfiling of Forms 1040, Individual Income Tax Return. Information returns (Forms W-2, 1099, and 1087) submitted on magnetic tape are also used to identify delinquent filer cases. The exempt organization master file computer program is designed so that delinquency letters can be issued to taxpayers at any time during the year. Prompt personal contact is made by enforcement personnel when foundations and organizations fail to respond to delinquency letters.

Several business master file computer changes were formulated during 1969 which should provide a better quality output, greater insight into reasons for taxpayer delinquency, and a consequent improvement in taxpayer relations. Implementation of these changes is scheduled for 1970, as well as for the extension of the delinquency check program to taxpayers serviced by the Office of International Operations.

Efforts Joined With Other Government Agencies

Extended coordination with other government agencies in areas of mutual interest should lead to more effective utilization of enforcement personnel and more fruitful results from the efforts expended. A study was conducted by the Internal Revenue Service, Department of Labor, and State unemployment insurance services which indicated a definite value in having a Federal Unemployment Tax (FUTA) program in every district office. A permanent FUTA program has been designed utilizing the insight provided by the joint study.

The Service has also coordinated efforts with the Bureau of Customs on a program for the enforcement of excise tax requirements on certain imported motor vehicles. Procedures were developed whereby vehicles are declared at the time of customs clearance and the declaration forms are forwarded to the Service for appropriate follow-up.

Still another area of inter-departmental coordination involves marihuana and wagering taxes. Recent Supreme Court decisions have not affected civil enforcement in securing delinquent returns. The Service recently coordinated efforts with the Department of Defense Drug Abuse Control Committee which will result in the Service being informed of arrests of stateside military personnel. This will permit Service application of the appropriate civil law in these cases.

Taxpayer Delinquent Account Activity Increases

Almost 2.5 million delinquent accounts were established in 1969, an increase of nearly 300,000 or 12 percent above last year. In large measure, this increase was triggered by two factors: (1) An unusually low number of delinquent accounts was established last year as a result of program changes necessitated by budgetary limitations; and (2) although the budgetary impact was even more severe this year, several alternative programs were successfully developed wherein delinquent accounts

containing prescribed characteristics were output from the system on an accelerated basis to permit more timely and direct application of enforcement personnel. The amount of delinquent tax involved rose some $756 million, or 36 percent, to $2.8 billion in 1969.

Disposal of Delinquent Accounts Still Sizable

Considering personnel shortages brought about by the year-long hiring restrictions, overall accomplishments were good. Over 2.3 million delinquent accounts were closed in 1969; slightly less (2 percent) than were closed in 1968. In view of the higher dollar amounts established, the somewhat smaller number of 1969 closures still accounted for $2.4 billion, almost $400 million more than in 1968.

Inventory Rises for First Time in 4 Years

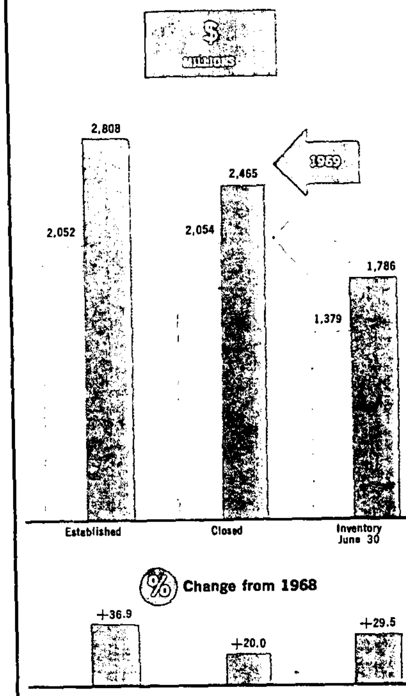
Inability to dispose of as many delinquent accounts as were established, caused an increase in the ending inventory for the first time since 1965. However, the 1969 ending inventory, 778,000 accounts, approximately 170,000 or 28 percent above the 1968 level of 608,000 accounts, was only some 30,000 above the 1966 and 1967 levels. To a great extent, the increase was due to manpower shortages experienced during the year. In smaller part it was also due to the accelerated release of delinquent accounts during the last 2 months of the year which had not had sufficient time for closing and, therefore, remained a part of inventory. The value of the 1969 inventory totaled $1,786 million, $407 million higher than last year. Some $139 million of this increase, however, was awaiting the application of credits as the year ended.

Further Use of ADP Helps Enforcement Efforts

Further efforts were made to increase the use of ADP as an additional deterrent to delinquency. Procedures were implemented for ADP system follow-up of accounts whose collection is impeded by the taxpayer's financial condition or by inability to locate

Taxpayer Delinquent Accounts

Value of Accounts Rise



the taxpayer. Computer analyses are made of these accounts, involving comparison with tax returns for subsequent years to determine collectibility and to assist in locating the taxpayer. When the taxpayer's financial condition has materially improved or a new address is received, the account is referred to field enforcement personnel for collection.

The internal offset program was in nationwide use for the third consecutive year in 1969. This program provides for the partial or whole deduction of any refund due for application to any prior years' unpaid liabilities. It has been most effective in capturing millions of dollars in overdue taxes. A total of 858,000 overpayments amounting to $124 million were applied to unpaid balances in the accounts of individual income taxpayers. In addition, a procedure was developed to enhance recovery of unpaid taxes occurring prior to the establishment of the ADP system. In this instance, accounts have been transferred into the ADP system so that they are subject to the internal offset and machine monitoring capabilities of the system.

The delinquent accounts activity is shown in the table above.

Taxpayer Delinquent Accounts

Status	Number (thousands) 1968	Number (thousands) 1969	Amount (thousand dollars) 1968	Amount (thousand dollars) 1969
Established	[2] 2,228	2,484	[2] 2,051,727	2,808,496
Closed, total	[2] 2,367	2,315	[2] 2,053,853	2,464,711
By type of action:				
Collected	[2] 1,955	1,962	[2] 1,465,135	1,875,945
Additional collections			56,065	63,300
Other disposals [1]	413	353	532,653	525,466
Pending June 30, total	608	778	1,378,762	1,786,051

[1] Includes disposals due to uncollectibility and erroneous and duplicate assessments.

[2] Net of 366 items totaling $740,000 (Puerto Rico Accelerated Collection Program not included.).

Number of Offers in Compromise Disposals Increase

The number of offers in compromise cases processed during the year increased by 2,684 cases, or 26.8 percent from last year. Total liabilities involved a decrease of 11.7 million, or 12 percent.

The following table provides a summary of compromise cases closed in the last 2 years:

Offers in compromise disposals

Type of tax or penalty	Number 1968	Number 1969	Liabilities 1968	Liabilities 1969	Offers 1968	Offers 1969
Offers accepted, total	[r] 7,091	9,648	26,767	20,681	5,604	6,915
Income, estate, and gift taxes	561	455	20,509	13,972	3,549	4,825
Employment and withholding taxes	443	377	3,629	4,313	1,128	1,483
Alcohol taxes	72	65	1,068	165	482	41
Other excise taxes	65	53	789	819	196	248
Delinquency penalties on all taxes	741	1,204	772	1,412	155	228
Specific penalties	[r] 5,209	7,488			94	91
Offers rejected or withdrawn, total	[r] 2,917	3,044	69,880	64,294	10,477	9,313
Income, estate, and gift taxes	1,380	1,392	52,228	45,205	7,748	6,956
Employment and withholding taxes	824	885	8,950	8,350	2,124	1,795
Alcohol taxes	37	37	106	298	19	25
Other excise taxes	175	167	8,067	9,838	443	410
Delinquency penalties on all taxes	483	548	530	604	115	125
Specific penalties	[r] 18	23			27	1

[r] Revised.

Intelligence Division Marks Golden Anniversary

The Intelligence Division was created July 1, 1919, and for the past 50 years has played an essential role in promoting compliance with the internal revenue laws. Over the years, numerous individuals and corporations, including many racketeers who otherwise might not have been brought before the bar of justice, have been successfully prosecuted for income tax violations.

The Intelligence Division, in enforcing the criminal tax statutes, materially benefits society as a whole; and by developing evidence necessary to successfully prosecute criminal elements in this country, it plays a vital role in the President's stepped-up program against organized crime.

New Approaches Employed to Achieving Intelligence Objectives

The intelligence mission of the Service is accomplished through two principal programs: One, "General;" the other, "Racketeer." To stay abreast of the more sophisticated schemes now being resorted to in attempts to evade taxes, the Service is concentrating special agent manpower on fraud detection activities designed to identify the more serious pockets of noncompliance by the racketeer segment and taxpayers in general.

Drive Against Organized Crime

The Intelligence Division continues to play an important role in the Government's drive against organized crime. Since the inception of the drive in 1961, the Service has conducted more than 6,000 tax investigations involving organized crime drive subjects. Among the results are more than 2,200 convictions with over $3 million in fines imposed. Additional taxes and penalties recommended for assessment in these cases are in excess of $300 million.

Racketeer Infiltration of Legitimate Business Investigated

Gathering background information relating to the financial activities of racketeers is a significant facet of the program under which the tax affairs of persons identified as racketeers are continuously scrutinized to assure tax compliance. In addition, the Service has conducted in-depth investigations of many taxpayers who are members or associate members of the 22 closely-knit La Cosa Nostra families. In connection with this effort, data processing techniques have been used to gather and consolidate information pertaining to 40,000 racketeers and related business entities. The availability of this material, for cross-nation distribution, will be of major assistance in completing investigations of top racketeers. Increasing involvement in information gathering activities, including surveillance, undercover assignment, and the application of machine processes to the collating of such information enables the Service to make a greater contribution towards the drive against organized crime.

Strike Forces Active

The Departments of Justice, Treasury, Labor, and Post Office and the Securities and Exchange Commission have instituted a new concept in law enforcement known as "The Strike Force," with the objective of pooling the resources of various Federal law enforcement agencies and through their combined efforts, to concentrate and strike out against underworld elements in the major cities.

The Service is actively participating in the Strike Forces now operating in Buffalo, Detroit, Philadelphia, Newark, Miami, Chicago, Brooklyn, and New York City.

Gambling Casinos Scrutinized Closely

Major investigations concerning casino operations in Nevada have continued. More than $7 million in additional taxes and penalties has thus far been recommended for assessment and two of the major casino operators in Las Vegas have been convicted for filing false income tax returns. It is noteworthy that records of the Nevada State Gaming Commission disclose that operators of gambling casinos in Clark County, Nev., reported approximately 34 percent more income from gambling for the 12 months ended September 1968, than in the preceding 12 months. It may reasonably be concluded that the Service's continuing efforts in this area have promoted greater compliance with the income tax laws.

Service Strives for Balanced Enforcement Program

Tax evaders are found among all classes of taxpayers and in all walks of life, necessitating a balanced enforcement program. The enforcement effort against evaders is one of the most important deterrents to taxpayer wrongdoing. Among the many taxpayers convicted in 1969 of criminal tax violations were:

A real estate promoter and developer with a 10-year failure to file record had constructed a palatial mansion and furnished it at a cost of about $300,000. A 1-year sentence was imposed and additional taxes and penalties exceeding $165,000 were recommended for assessment. Income was reconstructed by contacting over 200 witnesses and examining bank and other third-party records.

A stock promoter diverted large sums of money from his wholly owned selected investments corporation and participated in a number of schemes to swindle money from investors. He was convicted of attempted evasion of income taxes and sentenced to serve 3-years in prison.

An unusual investigation involved a noncommissioned Army officer who failed to report profits from black market operations in Vietnam. Additional income taxes and penalties exceeded $65,000. This was the first occasion on which the Service presented evidence of tax evasion before a General Court-Martial. The military court imposed a fine of $25,000.

A Florida nightclub owner and notorious "fence" for stolen property was convicted of attempted evasion of cabaret excise taxes. The case was complicated by false defense testimony and fear by Government witnesses. A sentence of 13-years was imposed.

A bookmaker and operator of a licensed Las Vegas Race and Sports Book was convicted of conspiracy to defraud, attempted evasion of excise taxes on wagers, and failure to file income tax returns. The investigation disclosed that wagers by preferred customers were accepted on white slips of paper whereas others were accepted on pink slips. Although the white slip wagers constituted 80 percent of the total accepted, they were not reported on the returns filed. Additional taxes and penalties exceeded $1.5 million. The operator was sentenced to serve 1-year in prison and to pay a fine of $10,000.

The general office manager for a citrus fruit processing plant was convicted of attempted evasion of income tax as a result of his failure to report over $838,000 embezzled from his employer. Tax deficiencies and penalties totaled $730,000. The court imposed a 3-year prison sentence.

A $10,000 fine and a 3-year probation sentence were meted out to a lumber company executive who diverted over $1 million in corporate funds to concealed personal bank accounts. The funds were used to purchase nontaxable municipal bonds and to invest in trust funds for his children. Additional taxes and penalties exceeded $2.4 million.

A 10-year prison sentence and $40,000 fine were imposed upon a Detroit racketeer for income tax evasion. Taxes and penalties approximate $350,000. The defendant was reputed to be an "enforcer" for the Mafia.

Enforcement Projects Stressed

The Service continued to stress project-type enforcement actions designed to uncover complex corporate schemes to evade taxes through obscure financial transactions with closely related corporations. This concentration of enforcement action is directed at multi-company combines usually controlled by one individual, a family, or a tightly drawn group of investors. It is focused upon widespread and flagrant situations wherein an alleged tax evasion practice has been widely adopted in an industry. Typical of these projects is an extensive probe into the practice of large corporations claiming political contributions as legitimate business expenses for tax purposes, in violation of the taxing statutes and other Federal laws; an investigation of the "give-up" commissions practice on the part of mutual funds and brokers; and a study into the practice within certain industries to make rebates to customers.

Foreign Financial Transactions Studied

The Service is conducting studies of evasion through the use of foreign financial transactions and foreign financial facilities. The ultimate purpose is to devise procedures calculated to detect and deter the use of foreign financial facilities, such as Swiss Bank numbered accounts, for tax evasion purposes. In this connection, the Service has cooperated with the Department of Justice and with the House Banking and Currency Committee in their consideration of this problem.

Prosecution Recommendations for Tax Fraud Increased

Over 117,000 allegations of tax fraud were screened and evaluated in selecting the investigative caseload. Many of these required some form of investigative activity.

There was a significant increase in the number of prosecution recommendations for tax fraud in the income tax area. This was accomplished by the diversion of special agent manpower from wagering tax investigations since recent adverse Supreme Court decisions (the cases of *James Marchetti* and *Anthony M. Grosso*) practically eliminated prosecutive action for wagering tax violations.

The decline in completed investigations is the result of the initiation of very few wagering tax investigations in 1969 and the loss of 95 special agent man-years due to hiring restrictions.

A tabulation of the investigations undertaken by special agents in 1969 follows:

Tax fraud investigations

Type	1968	1969
Investigations completed, total	9,739	8,273
Prosecution recommendations, total	1,620	1,139
Fraud	952	1,049
Wagering	586	33
Coin-operated gaming devices	13	4
Non-tax	69	53
Investigations in process, June 30	7,217	7,613

Assistance Given to Other Government Agencies

The Service furnished assistance to the Secret Service in the protection of the President and other officials. Thirty-five special agent man-years were devoted to this responsibility, for which President Nixon expressed his appreciation in a letter dated February 5, 1969.

The Service maintains close liaison with other law enforcement organizations, including State and local agencies. During the year, special agents testified in State and local courts in connection with the prosecution of individuals charged with crimes other than Federal offenses. On occasion, where disclosure of information is authorized by law, evidence gathered by Service personnel has been used by the Department of Justice and local officials in prosecutions for offenses not under Internal Revenue Service jurisdiction. Such prosecutions involved State officials and others, under Federal conspiracy statutes, for zoning and financing manipulations; the prosecution in Baltimore, Md., of one of the city's kingpin numbers operators; and the conviction in the Superior Court of New Jersey of a Newark crime syndicate leader on a charge of conspiracy to violate State gambling laws.

Referrals to Department of Justice Increase

A total of 854 income and miscellaneous criminal cases, with prosecution recommendations involving 875 prospective defendants, were forwarded to the Department of Justice. Compared with the prior year, this was an increase of 11.9 percent in the volume of referrals. In 1969, indictments of such cases were down 3.2 percent and the total disposal of cases in those categories in the district courts decreased 5 percent.

In income, excise, and wagering tax criminal cases, 470 defendants pleaded guilty or nolo contendere, 91 were convicted after trial, 20 were acquitted, and 244 were dismissed.

A comparison of indictments and court actions for the last 2 years follows:

Results of criminal action in tax fraud cases

Action	Number of defendants	
	1968	1969
Total		
Indictments and informations	1,026	649
Disposals, total	1,739	825
Plea, guilty or nolo contendere	638	470
Convicted after trial	118	91
Acquitted	39	20
Nol-prossed or dismissed [1]	944	244
Income and miscellaneous cases [2]		
Indictments and informations	652	631
Disposals, total	660	626
Plea, guilty or nolo contendere	475	447
Convicted after trial	89	79
Acquitted	31	19
Nol-prossed or dismissed [1]	65	81
Wagering tax cases		
Indictments and informations	374	18
Disposals, total	1,079	199
Plea, guilty or nolo contendere	163	23
Convicted after trial	29	12
Acquitted	8	
Nol-prossed or dismissed	879	163

[1] Includes cases dismissed for the following reasons: 9 because of death of principal defendant, 8 because of serious illness, and 50 because principal defendant had pleaded guilty or had been convicted in a related case.
[2] Includes income, estate, gift, and excise taxes other than wagering, alcohol, tobacco, and firearms taxes.

Cases Involving Criminal Prosecution

Total additional taxes and penalties of $96 million were involved in cases received in the Chief Counsel's Office with recommendations of criminal prosecution. This was a decrease of $22.3 million under the amount involved in the prior year.

An analysis of criminal tax cases of all types (other than wagering-occupational tax cases handled at the district level) flowing from the Assistant Regional Commissioners (Intelligence) through the office of the Chief Counsel to the Department of Justice follows:

Receipt and disposal of criminal cases in Chief Counsel's Office

Status	1968	1969
Pending July 1 [1]	2,351	2,148
Received, total	1,128	1,084
With recommendations for prosecution	1,046	1,019
With requests for opinion, etc.	82	65
Disposed of, total	1,331	1,159
Prosecution not warranted	128	127
Department of Justice declined	[2] 124	[2] 100
Prosecutions	830	712
Opinions delivered	70	49
All other closings	179	171
Pending June 30 [1]	2,148	2,073

[1] Includes cases awaiting action in Department of Justice exclusive of wagering tax cases referred by Intelligence Division.
[2] Includes wagering tax cases disposed of following the "Marchetti" and "Grosso" Supreme Court decision.

Additional detail on legal workload involved in the prosecution of criminal cases by Service attorneys during the past 2 years is provided in the following table:

Tax and penalty and number of tax years involved in criminal fraud case disposals

(Exclusive of wagering and coin-operated gaming device cases)

Disposition	Tax years		Tax and penalty	
	1968	1969	1968	1969
Total	3,545	2,902	$109,680,088	$126,230,688
Prosecutions	2,575	2,137	44 360,302	64,683,413
All other closings [1]	970	765	65,319,786	61,547,275

[1] Includes cases declined by Department of Justice.

Additional Taxes From Direct Enforcement

The importance of direct enforcement is not limited to the dollars collected. A balanced enforcement program covering all classes of taxpayers at every level of society generates a public feeling toward compliance. The vast number of taxpayers who voluntarily file tax returns and pay their correct liabilities with no enforcement work required is a tribute to the enforcement system of the Service.

The bulk of taxes are collected quite simply and routinely. The enforcement efforts of the Service are directed toward maintaining full compliance with the tax laws, through collection of delinquent taxes due, examination of returns, and prosecuting those who have violated criminal aspects of the tax laws. Revenue resulting from direct enforcement is substantial even though it represents a small percentage of the total collected.

In 1969, recommendations for additional assessments of tax, penalties, and interest as a result of examination of tax returns totaled $2,383.1 million, an increase of $174.9 million over 1968. In addition, $309.1 million delinquent taxes were collected, a gain of $15.9 million over the prior year.

The following table sets forth for the past 2-years the source of additional tax, penalties, and interest assessed including other results of direct enforcement:

Gross tax, penalties and interest resulting from direct enforcement

[In thousands of dollars]

Item	1968	1969
Additional tax, penalties, and interest assessed, total	r 3,253,886	3,368,338
From examination of tax returns, total	2,208,151	2,383,068
Income tax, total	1,820,476	1,976,078
Corporation	1,075,447	1,212,319
Individual and fiduciary	r 745,029	763,759
Estate and gift tax	289,533	319,594
Employment tax (including withheld income tax)	54,081	46,826
Excise tax	44,060	40,570
From mathematical verification of income tax returns	266,763	315,103
From verification of estimated tax payments claimed	r 485,829	361,092
From delinquent returns secured, total	293,143	309,075
By district collection divisions	255,566	252,589
By district audit divisions	37,577	56,486
Claims disallowed, total	r 362,830	286,962
By district audit divisions	187,593	177,103
By regional appellate divisions	r 175,237	109,859
Delinquent taxes collected, total	1,521,935	1,939,251

r Revised.

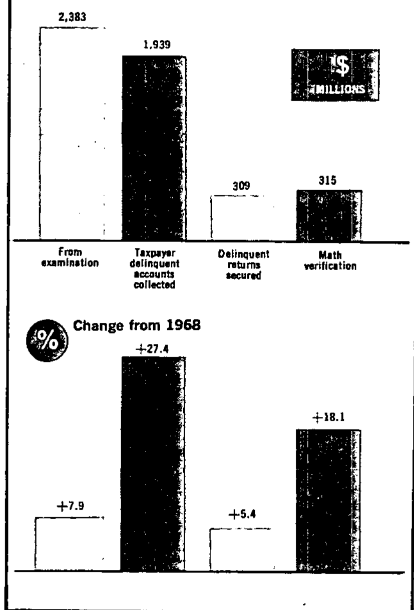
Workflow in the Service and the Courts

The major portion of the work of the Service results directly from the millions of returns filed each year. The time needed to process a return through different activities depends on the complexity of the items and issues involved. Many returns are processed to ultimate disposition within a short period while others require work by different divisions of the Service and are not closed during the year of filing.

The unit of measurement at the audit level is on a return basis. In the appellate and intelligence divisions as well as in the courts, the work unit is the case. A case may involve more than one return and more than one taxpayer. The following tables reflect comparative data on actions completed by the Service during 1968 and 1969:

Results from Direct Enforcement

Taxpayer Delinquent Accounts Collected Show Largest Increase



Workflow in the Internal Revenue Service and the courts, fiscal years 1968 and 1969

Item	1968	1969
	Returns	
Tax returns filed, total	r 107,382,432	110,658,633
Individual income	73,838,802	76,215,414
Corporation income	1,622,605	1,729,808
Estate and gift	257,786	274,280
Employment	r 22,322,720	22,032,475
Excise	1,556,705	1,650,216
Other income	r 7,783,814	8,756,440
INCOME, ESTATE, AND GIFT TAXES		
Number of returns examined (Includes Forms 990)	2,779,156	2,414,266
Returns with adjustments proposed by audit divisions	1,838,715	1,685,410
Disposed of by audit divisions:		
Agreed, paid, or defaulted	1,539,238	1,374,231
Surveyed claims	248,255	258,518
Transferred to appellate	45,290	46,928
Other	5,932	5,735
Civil cases	Cases	
Total received in appellate divisions	24,737	25,110
Disposed of by appellate divisions:		
Agreed, paid, or defaulted	25,886	21,924
Courts of original jurisdiction:		
Tax Court:		
Total petitioned to Tax Court	6,392	6,085
Dismissed	275	272
Settled by stipulation	5,058	4,776
Settled by Tax Court decision	611	783
Decided by Tax Court but appealed	235	225
District courts and Court of Claims:		
Total filed in district courts and Court of Claims	1,403	1,246
Settled in district courts and Court of Claims	792	1,073
Decided by district courts and Court of Claims	586	471
Courts of appeals:		
Settled by courts of appeals decision	243	349
Favorable to Government	170	233
Favorable to taxpayers	51	66
Modified	22	50
Decided by courts of appeals but reviewed by Supreme Court	4	5
Supreme Court:		
Settled by Supreme Court decision	4	6
Fraud cases[1]		
Received for full-scale investigation in intelligence divisions	2,249	2,293
Disposed of by intelligence divisions:		
Prosecution recommended	952	1,049
Prosecution not recommended	973	1,031
Disposed of by Office of Chief Counsel:		
Prosecution not warranted, including cases declined by the Department of Justice	252	227
Prosecutions	830	712

r Revised.
[1] Includes excise tax cases.

Amounts of revenue involved at each level of the tax system fiscal years 1968 and 1969

[Millions of dollars]

Item	1968	1969
Internal revenue collections, total	153,637	187,919
Individual income taxes, total	78,125	97,424
Withholding	57,214	70,165
Other	20,910	27,258
Corporation income taxes	29,897	38,338
Estate and gift taxes	3,082	3,530
Employment taxes	28,213	33,069
Excise taxes	14,320	15,543

Amounts of revenue involved at each level of the tax system fiscal years 1968 and 1969—Continued

INCOME, ESTATE, AND GIFT TAXES

Civil cases	1968	1969
Additional tax and penalties in cases disposed of in audit divisions by agreement, payment, or default	r 1,368	1,328
Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment, or default	325	361
Additional tax and penalties determined by settlement in Tax Court	82	119
Additional tax and penalties determined by Tax Court decisions:		
Dismissed	3	4
Decisions on merits	14	23
Additional tax and penalties in cases decided by Supreme Court and courts of appeals	6	10
Amount refunded to taxpayers as a result of refund suits	55	47
Fraud cases[1]		
Deficiencies and penalties in cases disposed of in intelligence divisions:		
Prosecution recommended	r 119	83
Prosecution not recommended	r 29	20

r Revised.
[1] Includes excise taxes.

Improving Tax Administration Through Federal-State Cooperation

Many years ago the Service adopted the policy of cooperating with State and local tax administrators to the fullest extent permitted by law. Over the years, this policy has been augmented with the signing of formal tax coordination agreements establishing procedures for the exchange of tax return information and providing for reciprocal action by State and Federal tax officials to improve the administration of the tax laws of their respective jurisdictions. The existence of the cooperative exchange program, coupled with increasing knowledge of its operation by the general public inevitably leads to improved taxpayer compliance—the most important benefit of the program. The increase in the number of States levying an income tax, the trend to conforming State tax laws more closely to Federal tax laws, and the ease with which tax return information can be exchanged by use of computers have led the States to place a greater reliance on the use of information from Federal tax returns and the Service's audit activities.

Formal Exchange Agreements.—During the year a tax coordination agreement was signed with the State of Georgia, bringing to 45 the number of agreements with the States and the District of Columbia. In addition to Georgia, agreements are now in effect with: Alaska, Arizona, Arkansas, California, Colorado, Delaware, District of Columbia, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Model Agreement.—A "model" agreement was drafted to take into account developments in the Federal-State program which were not covered in existing agreements. Additional provisions in the "model" include (1) a broadening of the scope of the agreement to cover cooperative activities in addition to the exchange of information; (2) a statement of conditions under which State tax officials may furnish tax return information to tax officials of a political subdivision; (3) a strengthening of measures designed to protect the confidentiality of returns; and (4) authorization to inspect returns. This "model" will be used as a guide in drafting new agreements or in revising those in existence.

Increasing Audit Coverage.—One of the procedures in use for many years to expand audit coverage at State and Federal levels has been the exchange of information in abstract form relative to audit adjustments. This exchange has continued unabated with a resulting increase in additional tax assessments. The major benefits of this exchange accrue primarily to those States which have only a limited number of personnel assigned to the examination of returns.

An extension of the audit abstract program has been the development of a cooperative audit procedure which has promise of being most productive, not only from the standpoint of the States, but also for the Federal government. Under this program, State enforcement personnel audit the State returns of taxpayers whose names were selected by the Service after a review of the taxpayer's Federal return. The significance of this procedure lies in the fact that the returns of the taxpayers would not normally be reached for audit by the Service because of resource limitations. Under this procedure, adjustments made by the State to the taxpayer's State return would generally lead to a similar adjustment of his Federal return. The effect of this program is to expand the number of returns subjected to audit, with a consequent increase in both State and Federal revenue. At year's end, plans were being developed to extend the cooperative audit program procedure to as many States as feasible.

Information Exchange by Computer.—Under this program, the Service furnishes selected information from the individual master file on magnetic tape to the States. Thirty-four States and the District of Columbia have participated in the program for either tax year 1966 or 1967, or both.

Although complete information on the benefits accruing to the States is not yet available, preliminary reports indicate that many millions of dollars of additional revenue were collected by the States and many thousands of nonfilers of tax returns were added to the tax rolls as a direct result of using the magnetic tape data.

Training of State and Local Tax Personnel.—The Service, under the authority of Public Law 87–870, assists in the training of State and local tax personnel. Training included attendance of six State tax personnel from four States in classes conducted by the Service. A total of 109 correspondence courses were furnished to five States for use by State tax personnel. Additionally, the Service supplied 74 sets of training material to four States for their use in conducting training classes.

More Federal Assistance to State and Local Authorities

During the past year Service personnel rendered more assistance to State and local law enforcement officials than in any year in history. Alcohol, tobacco, and firearms enforcement personnel have for many years maintained outstanding liaison with other law enforcement agencies. During the past year, demands for the Service's assistance increased as a result of the enactment of new laws providing Federal support to State and local law enforcement officials in their fight against crime. Alcohol, tobacco, and firearms enforcement personnel have been called upon to appear before State legislative bodies as advisors in formulating new State firearms laws, and at law enforcement training schools, seminars, and meetings to discuss mutual operational endeavors; and to assist in investigations of crimes in which firearms were involved. In addition to the actual participation in investigations, enforcement personnel have transmitted oral and written information on 9,375 violations to State and local authorities and to other Federal agencies, of which 6,581 related to violations of State or local firearms laws.

Alcohol, Tobacco and Firearms Enforcement Restructured

Level of Liquor Law Enforcement Reduced

Expansion of the Service's responsibilities relating to firearms necessitated redeployment of investigator manpower to implement the Gun Control Act of 1968 and the firearms provisions of the Omnibus Crime Control and Safe Streets Act of 1968. This reprograming of resources resulted in a 30 percent reduction from 1968 in the manpower expended on illicit liquor investigations, and was a principal contributing factor to the 26 percent decrease (from 4,136 in 1968 to 3,063 in 1969) in seizures of illicit distilleries in 1969.

Although the main thrust of the Service's liquor law enforcement program continues to be centered in the southeastern States (the only remaining geographical area of the United States where substantial revenue frauds persist and which accounted for 90 percent of all illicit distillery seizures in 1969), the concentrated emphasis on Operation Dry-Up could not be maintained. The Dry-Up program which is based on intense investigative effort, strong public information campaigns, and close cooperation with State and local enforcement agencies, has as its goal the ultimate elimination of large-scale illicit liquor operations.

In the first 5-years of Operation Dry-Up more than $27 million in additional revenue was collected, probably due to shifts in the consumption of alcoholic beverages to legal markets. In the first State in which the program was implemented, illicit distilling activity of major commercial scope virtually disappeared. In the other two States to which Operation Dry-Up was extended, substantial inroads against large-scale illicit operations were made. Although the further planned reductions in violations of major scope did not materialize in these two States in 1969, it is anticipated that beginning in 1970 additional manpower can be applied to Operation Dry-Up with ultimate restoration of all necessary resources for full program effectiveness.

Firearms Program Expanded

The Firearms function of the Service became a major enforcement program as a result of the enactment of the following strengthened firearms control laws.

Title I of the Gun Control Act of 1968 (effective December 16, 1968) strengthened firearms licensing provisions and set forth comprehensive restrictions on commercial and private transactions involving firearms and ammunition and on the transportation, shipment, and receipt of these articles in interstate and foreign commerce. Under the provisions of this law the Service was faced with a massive licensing task. Following enactment of Title I, 86,958 applications were received for firearm licenses upon which action was required to be completed within 45 days following receipt. In connection with these applications, 39,205 field investigations were made to assure that applicants met licensing eligibility requirements. In addition, 47,454 investigations were made of licensee operations to ascertain compliance with the provisions of the new law. By the end of the year, 77,573 licenses had been issued, 1,705 licenses had been denied, and 1,328 applications had been withdrawn.

Title II of the Gun Control Act of 1968 (effective November 1, 1968) amended the National Firearms Act by inclusion of the destructive devices category of firearms and the insertion of more stringent penalties for criminal violations of the act. The act required that all firearms, as defined by Title II, not previously registered had to be registered within a 30-day amnesty period immediately following the effective date. During this period, 57,258 firearms were registered and added to the National Firearms Registration Record. The Service was also given responsibility for enforcing Title VII of the Organized Crime Control and Safe Streets Act of 1968, which prescribed penalties for the illegal possession of firearms.

Manpower expended on firearms activities in 1969 doubled from the 290 positions used in 1968. Investigations conducted under the firearms program in 1969 resulted in the completion of 1,595 criminal cases, the arrest of 715 violators, and the seizure of 4,152 firearms. These figures compare with 919 criminal cases, arrest of 449 violators, and the seizure of 1,092 firearms in 1968.

Importation of Firearms and Ammunition

The Gun Control Act placed responsibility on the Service for implementing the act's importation provisions. The volume of applications for permits to import firearms and ammunition far exceeded original estimates. From October 1968 through June 1969, permits were issued to import 19,074 sporting firearms. During this same period 270,775 sporting firearms were imported, and 1,428 appli-

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cations were disapproved covering imports totaling 595,901 firearms not meeting the importation criteria.

In addition to the functions assumed under the Gun Control Act, the Service, under executive Order No. 11432, was given responsibility for administering the importation provisions of the Mutual Security Act of 1954 covering articles on the U.S. Munitions list (includes arms, ammunition, and implements of war).

Seizures and Arrests in Firearms Cases Rise Substantially—Decreases Continue for Illicit Liquor Violations

Seizures and arrests resulting from investigative work in 1969 are compared with 1968 data in the following table:

Seizures and arrests for alcohol, tobacco, and firearms violations

Item	1968	1969
Seizures:		
Distilleries..........number..	4,136	3,063
Stills at distilleries..........do.....	5,899	4,362
Nontaxpaid distilled spirits..........gallons..	112,254	92,281
Mash..........do.....	2,697,345	1,964,972
Firearms..........number..	1,092	4,152
Vehicles..........do.....	1,375	1,261
Property (appraised value)..........dollars..	1,876,730	1,846,039
Arrests [1]..........number..	5,338	4,852

[1] Includes 715 arrests for firearms violations, 2 for tobacco violations, and 19 for other violations in 1969 compared with 449 arrests for firearms, 5 for tobacco, and none for other violations in 1968.

Note.—Includes seizures and arrests in cases adopted, as well as originated, by the Internal Revenue Service, or investigated jointly with State or local law enforcement agencies.

Indictments and Disposals in Alcohol, Tobacco, and Firearms Cases

Recommendations for prosecution were presented to U.S. attorneys in a total of 2,758 cases, involving 4,129 defendants, as a result of actions taken against violations of alcohol, tobacco, and firearms laws.

A comparison of indictments and disposals for the last 2 years is shown above.

Results of criminal action in alcohol, tobacco, and firearms cases

Action	Number of defendants	
	1968	1969
Indictments and informations..........	3,462	2,601
Disposals, total..........	3,625	2,849
Plea, guilty or nolo contendere..........	2,536	1,851
Convicted after trial..........	461	419
Acquitted..........	147	172
Nol-prossed or dismissed..........	481	407

Chemical Laboratory Services Extended to Other Agencies

Samples of illicit spirits analyzed in the national and regional laboratories dropped from last year's 8,120 to 3,884 and narcotic samples from an all-time high in 1968 of 11,500 to 7,315. These changes reflect, in part, the shift of investigative time from liquor law enforcement to the critical firearms area, and the programed transfer of work to the Bureau of Narcotics and Dangerous Drugs Laboratories. Physical evidence samples and materials examined in connection with criminal cases rose to 2,758, an increase of 558 over the previous year. The greatly expanded capabilities of the photographic laboratory has resulted in the annual production of more than 14,000 color and black and white photographs of physical evidence, and art objects.

During 1969 the National Office Laboratory became actively involved in use of a new and more efficient technique developed for dating writing inks which formerly was done only through the use of neutron activation analysis. The laboratory was able to acquire a complete library of domestically manufactured inks, as well as a library of authentic domestic typewriting specimens. With the availability of a complete ink, typewriting and paper analyses library, laboratory work is now being performed for other agencies and in organized crime investigations.

Chapter 4

Supervision of the Alcohol and Tobacco Industries

Alcoholic Beverage Advertising Reviewed for Compliance.

73,349 Applications for Certificate of Label Approval Processed.

On-Premises Workload Continues Upward Trend.

Chemical Analyses Made for Regulatory Work.

Public Hearings Held on Labeling and Advertising of Distilled Spirits

In April 1967, the Service announced (after receiving comments and suggestions from interested industry members and evaluating the recommendations of the Distilled Spirits Standards and Labeling Survey Committee) that a series of three public hearings would be held to consider amendments in the regulations in Title 27, Code of Federal Regulations, Part 5, "Labeling and Advertising of Distilled Spirits."

In September 1968, the second of these hearings culminated in the issuance of a Treasury Decision which established standards of identity for blended applejack and certain flavored distilled spirits (primarily flavored brandies), and amended the standards of identity for gin and vodka. This Treasury Decision also requires the alcoholic content and the net contents (where the product is not packaged in bottles conforming to the standards of fill) to appear on the brand label of all distilled spirits and prohibits net content statements from being qualified by any descriptive term such as "jumbo," "full," and "giant."

The third and final hearing was held in April 1969. The notice of the hearing, which also contained several substantive proposals not previously considered, was published in the form of a proposed new regulation. At the close of the year a Treasury Decision was being drafted to dispose of the issues considered at the hearing and to include a complete rewrite of the regulations.

Administration Developments Relating to Alcohol Industry Operations

Plastic Containers Being Tested

In view of the continuing trend toward the use of plastic containers for an increasing variety of products, the Service announced that, for experimental purposes, consideration would be given to applications for permission to bottle distilled spirits, during 1969, in plastic liquor bottles of less than one-half pint and of one-half gallon capacity. It was specified that such plastic liquor bottles must be made of polyvinyl chloride containing only such additives as have been approved by the Food and Drug Administration, and the Department of Health, Education, and Welfare for use as containers in packaging alcohol products. Several distilled spirits plant proprietors engaged in this experiment.

Alcoholic Beverage Advertising Spot Checked for Compliance

While it is not feasible to examine all alcoholic beverage advertising disseminated at producing, wholesaling, and importing levels throughout the United States, a sampling is made of advertising published in selected newspapers and magazines of general circulation in various regions of the United States. During the year, advertisements in approximately 18,000 newspapers and magazines were examined.

While distilled spirits are not generally advertised by radio and television (because of restrictions imposed by the radio and television codes of the National Association of Broadcasters and voluntary actions on the part of members of the Distilled Spirits Institute), both media are employed for the advertising of wines and malt beverages. During the year, 602 broadcast or televised commercials were reviewed. In addition, 1,066 proposed advertisements and advertising campaigns were reviewed and commented upon as a service to industry. Unlike labels, advertisements are not required by statute to be approved prior to dissemination.

Actions taken as the result of such examinations involved criticism of some 1,400 advertisements either in conference or by correspondence.

Large Number of Labels Microfilmed

In administering the provisions of the Federal Alcohol Administration Act and its related regulations, the Service received and processed 73,349 applications for certificate of label approval during 1969. This volume is significantly larger (21,830) than that processed during the preceding year. The increase is principally due to the resubmission of previously approved labels for distilled spirits in furtherance of a project to convert label records to microfilm. This project was initiated due to increasing difficulty in maintaining voluminous label files.

Offers in Compromise Processed

Fifteen cases were closed upon the acceptance of offers in compromise pursuant to section 7 of the Federal Alcohol Administration Act. These cases involved such matters as the furnishing or giving of equipment, services, things of value to retailers, or paying the retailers for advertising by alcoholic beverage permittees; practices which are contrary to the provisions of section 5(b) of the Federal Alcohol Administration Act. In addition, action was taken on 13 offers in compromise of violations of the Internal Revenue Code.

Increase in Permits Issued, Formulas Processed

In the National Office, 67 permits to use tax-free spirits and 10 permits to use specially denatured spirits were issued to Government agencies. The National Office processed 1,139 (up 300 over last year) formulas for rectified products, including such products as cordials, cocktails, and blended whiskies, and 208 formulas for wine.

On-Premises Workload Continues Upward Trend

Distilled spirits plant proprietors received tax deferral benefits on imported spirits upon enactment of the Watts Bill (Public Law 90–630). This law provided for the transfer of bulk imported spirits to internal revenue bond, making such spirits eligible for the longer tax deferral upon their subsequent withdrawal from internal revenue bond under the present taxpayment-on-shipment plan. Such transactions are required to be supervised by an on-premises inspector. The on-premises workload has increased due to the fact that proprietors have acquired bonded warehouses to avail themselves of the Watts Bill benefits.

Production of distilled spirits increased from 905.5 million tax gallons in 1968 to 985.6 million tax gallons in 1969. During the year, 240.3 million tax gallons of spirits were removed from bonded storage upon determination of tax, 686.8 million tax gallons were withdrawn tax-free, and 304.0 million wine gallons were bottled. At the end of the year, 1,166.1 million tax gallons were on storage in internal revenue bonded warehouses. Production of rectified distilled spirits products totaled 117.2 million proof gallons.

Production figures for other taxable products are: Beer 122.7 million barrels (31 gallons each); Wine 243.5 million gallons of still wines, 13.0 million gallons of effervescent wines, 5.7 million gallons of vermouth, and 18.3 million gallons of other special natural wines; large cigars 6.9 billion; small cigars 631.6 million; and cigarettes 573.0 billion.

Alcohol and tobacco tax collections continued to climb, totaling $6.7 billion in 1969 as compared to $6.4 billion in 1968.

Continuing Inspection Program

Although the total number of inspections made during the year remained approximately the same as the previous year, the number of onsite inspections of regulated alcohol and tobacco plants and facilities dropped considerably. This drop is attributed to (1) the freeze on hiring to fill inspector vacancies, (2) the use of 24 inspector man-years on firearms dealers inspections (the total of 28,954 inspections completed during the year includes 5,554 firearms dealer inspections), and (3) deployment of inspectors to on-premises supervision because of many existing on-premises inspector vacancies (on-premises supervision is required by law and regulations).

Continuing emphasis was placed on developing and applying quality criteria in the selection of plants and facilities for onsite inspection to assure compliance with Federal law and regulations. Complementing the onsite inspection program are the examination and audit functions of the regional offices. During 1969, personnel of these functions processed 22,185 notices and applications for permits, examined 28,950 tax returns, and reviewed 5,907 reports for determination of assessible liability.

Chemical Analyses Made for Regulatory Work

The National Laboratory has pursued a continuing program of instrumentation and analytical studies in developing new methods and techniques for carrying out the scientific aspects of its regulatory functions.

Using atomic absorption spectrophotometry, the laboratory cooperated with other Government agencies and private industry in three collaborative experiments to be considered for sanctioning by the Association of Official Agricultural Chemists. These experiments were directed toward the determination of cadmium in various food products; of glucose in plants and of iron in alcoholic beverages.

"Analytical Profile of Cistern Room Whiskies," an extensive study utilizing analytical methodology, was published in a scientific journal. This report tabulated pertinent data on mashing, fermentation, and distilling techniques for each sample. Characteristics of these samples were compared with those reported in studies as early as 1898.

The analytical portion of a profile on straight bourbon whiskey has been compiled and will soon be completed. It will include the effect on whiskey of entry proof, type and size of barrel, warehouse conditions of temperature and humidity, and the time of storage in charred new oak cooperage. These and other research programs resulted in the publication of seven papers which contributed to the fund of technical information for both Government and private industry.

The national and regional laboratories examined 7,048 formulas for specially denatured alcohol articles, 2,119 formulas for nonbeverage foods, flavors, and internal medicinal products, and 10,211 label approval requests. Figures for the previous year were 4,379, 2,398, and 10,568, respectively.

More than 100 major categories of materials are analyzed each year by the national and regional laboratories. Among these are alcoholic beverages, food products containing alcohol, flavors, toilet preparations, lubricants, and tobacco. This year a total of 19,736 regulatory samples were analyzed as compared to the previous year's figure of 22,048.

chapter 5

Legal and Legislative Activities

Government Successful in Overwhelming Majority of Trial Court Cases.

Service Assists in the Drafting of Tax Reform Proposals.

Legal Staff Decreases.

$154 Million Successfully Defended in Settlement or Trial of Cases in the Tax Court.

Interpretative Activities Focused on a Wide Variety of Problems.

Introduction

The legal work of the Service is performed in the Office of the Chief Counsel. The Chief Counsel renders opinions to officials of the Service on substantive legal questions. The office furnishes technical assistance to the Treasury Department's legislative program. (See p. 40.) The legal staff also prepares drafts of proposed regulations implementing the tax laws and participates in the rulemaking process involving these regulations. For a discussion of the regulations program, see chapter 1, page 9. For a list of selected regulations published, see appendix beginning on page 80.

The Chief Counsel represents the Commissioner in trying and in helping to settle cases docketed in the Tax Court of the United States. The legal staff also furnishes advice relating to refund litigation, general litigation, criminal enforcement, and alcohol, tobacco, and firearms matters. Important court actions are included in the appendix beginning on page 81. Statistics on legal activities are shown in tables 18–25 on pages 120 and 121. Criminal prosecution cases are shown under chapter 3, Enforcement Activities, page 29.

Caseload Inventory Down Slightly

Caseload receipts in the Chief Counsel's Office during 1969 were 25,591. Disposals totaled 25,946, down four cases from 1968. At the end of the year the pending total caseload was 22,970, a decrease of 355.

Civil Litigation

The Supreme Court rendered two decisions in Tax Court cases during the year. The Court decided one for the Government and one in part for the Government. The Supreme Court rendered four decisions in tax refund suits. The Government's position was sustained in each case.

The Government won, in whole or in part, 283 of the 349 civil tax cases decided by courts of appeal (exclusive of general litigation and alcohol, tobacco, and firearms legal matters). See table 21, p. 121. In the trial courts (Tax Court, Court of Claims, and U.S. district courts) the record of Government wins, losses, and partial wins appears as follows:

Trial court cases won, lost, or partially won by the Government

Action	Tax Court		Court of Claims		District courts	
	1968	1969	1968	1969	1968	1969
Won	213	310	48	24	301	196
Lost	84	81	19	23	150	160
Partially won	120	121	3	12	65	56

In the trial or settlement of cases in the Tax Court, $154 million was successfully defended. In refund suits in the Court of Claims and the U.S. district courts, $73 million was successfully defended. A total of $227 million of revenue was thus saved for the Government in these cases. At the end of the year, $1.8 billion was involved in taxes and penalties being contested in trial courts (see table below).

Taxes in litigation

[In thousands of dollars]

Status	Total	Tax Court		Refund litigation
		Deficiencies	Overpayments	
Pending July 1	r $1,814,790	$1,322,214	$55,931	$436,645
Received	540,155	419,477	9,461	111,217
Disposed of	534,632	393,699	20,542	120,391
Pending June 30	1,820,313	1,347,992	44,850	427,471
Amount saved	227,287	145,589	8,696	73,002

r Revised.

Tort Claims

The Service acted on 151 administrative claims under the Federal Tort Claims Act during the year.

The Service also acted on 79 claims under the Military Personnel and Civilian Employees' Claims Act of 1964.This represents almost no change in the number of claims under the Federal Tort Claims Act and an increase of approximately 8 percent in the claims under the Military Personnel and Civilian Employees' Claims Act of 1964 over the preceding year.

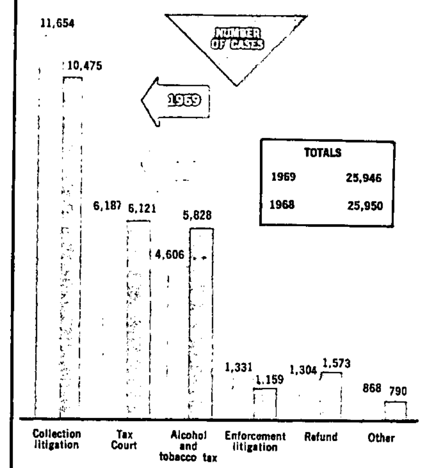
General Litigation Legal Services

Case receipts and disposals relating to general litigation matters handled at the national and field levels decreased in comparison to the preceding year. There were a total of 10,201 cases received during 1969 as compared to 11,469 cases received during 1968. Disposals for 1969 were 10,475 as compared of 11,654 cases disposed of in 1968. The inventory of pending cases at the end of 1969 stands at 4,913, a decrease of 274 cases under the 5,187 cases pending at the end of 1968. The decreases in case receipts and disposals occurred at the national and field levels and related to both cases in litigation and non-court cases. Most of the decrease in casework relates to cases involving court proceedings. Case receipts concerning matters in court decreased by 870 cases in comparison to 1968 and receipts involving cases not in court, such as advisory opinions, decreased by 398 under the preceding year. Case disposals for 1969 were down from 1968 figures by 836 cases in court matters and 343 cases in non-court matters. For detailed statistics on case receipts and disposals, see tables 23 through 25 on page 121.

There were no Supreme Court decisions in general litigation cases during the year, but there were a number of significant decisions by the courts of appeals. These decisions relate not only to issues arising in connection with the collection of Federal taxes and the assertion of tax liens, but also relate to issues arising in cases involving the civil enforcement of internal revenue summonses. These civil summonses enforcement cases continue to be a major area of litigation at the appellate level. Summaries of some of the courts of appeals cases may be found starting at page 84.

Case Disposals by Office of Chief Counsel

Disposals in Alcohol and Tobacco Tax Area Show Largest Increase



Extensive legal assistance was furnished in connection with disclosure of information matters, including matters arising under the Freedom of Information Act (5 U.S.C. 552). Also, national office and regional general litigation supervisors and attorneys participated extensively in training sessions conducted during the year throughout the country in the new Advanced Technical Training Program for Revenue Officers.

Revenue Legislative Assistance Provided

The Service provided extensive technical assistance to other offices of the Treasury Department and to committees of Congress in the development of legislation and legislative proposals relating to internal revenue matters. Although a substantial portion of this activity was directed toward legislation which was enacted by the Congress during the year and to bills pending before the Congress at the close of the year, the major portion of the activity was directed toward tax reform proposals. The Service also conducted research and study projects involving tax administrative problems and unintended benefits and inequities with a view toward the development of corrective legislation, and evaluated a number of legislative suggestions made by Congressmen, taxpayers, and its own employees.

The technical assistance was performed in several ways but principally by (1) preparing information reports, technical reports, drafts of bills and accompanying technical explanations, and other data pertinent to the legislative proposal under consideration, and (2) attending public hearings and congressional committee meetings.

Tax Reform Proposals

Studies and proposals for tax reform were developed by the Treasury Department during the administration of President Johnson pursuant to the request of Congress in the Revenue and Expenditure Control Act of 1968. These studies and proposals were referred to in identical letters, dated December 31, 1968, from President Johnson to the Speaker of the House of Representatives and the President of the Senate. Copies of these studies and proposals were transmitted to the Chairman, Committee on Ways and Means, and the Chairman, Committee on Finance, by the Secretary of the Treasury in January 1969.

Tax reform was the subject of President Nixon's message to the Congress on April 21, 1969.

Hearings before the Committee on Ways and Means on the subject of tax reform, which began on February 18, 1969, were concluded on April 24, 1969. During the remainder of the year, the committee met in executive session, on numerous occasions, for the purpose of considering tax reform. Although a bill relating to this matter had not been introduced at year end, the committee chairman had announced certain tentative decisions for purposes of drafting legislative language.

Legislation Completed During Year

Public Law 90–518, enacted September 26, 1968, amended section 1263 of Title 18, U.S.C., relating to identification of intoxicating liquors shipped in interstate commerce. This provision is enforced by the Service. The new law permits identifying information to be placed on bills of lading in lieu of the previously required marking of shipping containers.

Public Law 90–615, enacted October 21, 1968, included a minor technical amendment to the tax drawback provisions of the Internal Revenue Code with respect to tax-determined distilled spirits used in manufacture of nonbeverage products.

Public Law 90–618, the "Gun Control Act of 1968," approved October 22, 1968, significantly amended Title 18, U.S.C., Chapter 44, firearms controls previously enacted (but not yet effective) as Title IV of the "Omnibus Crime Control and Safe Streets Act of 1968." These controls are administered by the Alcohol, Tobacco, and Firearms Division of the Service. Changes included modification of standards for licensing firearms dealers, manufacturers, and importers; extension to long guns of certain controls applicable only to handguns; and advancing the effective date of import restrictions.

Title II of Public Law 90–618 substantially revised the National Firearms Act (Chapter 53 of the Internal Revenue Code of 1954). A prime objective of Title II is to overcome the effect of the January 1968 decision in *Haynes* v. *United States* (390 U.S. 85). This decision had significantly reduced the effectiveness of the act's controls over machineguns and sawed-off shotguns by declaring unenforceable, as compelling self-incrimination, provisions related to registration of or possession of, unregistered firearms.

Public Law 90–619, enacted October 22, 1968, contained amendments to the wine provisions in Chapter 51 of the Internal Revenue Code. These amendments, which are of minor significance, are intended to liberalize and simplify certain controls over wine production.

Public Law 90–630, also enacted October 22, 1968, amended several provisions in Chapter 51 of the Internal Revenue Code related to distilled spirits. Under the new law, bulk imported distilled spirits may be transferred to Internal Revenue bond from Customs custody prior to determination of tax. Controls over bottling of distilled spirits for export are liberalized somewhat, and provision is made for some minor additional allowance with respect to tax on distilled spirits lost after removal from bond but before shipment from the plant where received for bottling.

Congress enacted a number of public laws related to tax matters, some of the more important of which are listed below:

Public Law 90–607, relating to the effective date of the change in the definition of earned income for purposes of certain pension plans made by Public Law 89–809.

Public Law 90–621, relating to the income tax treatment of certain statutory mergers.

Public Law 90–622, relating to the income tax treatment of earnings derived from the ownership or operation of a communications satellites system by a foreign entity.

Public Law 90–634, which amended the provisions of prior law relating to the treatment of interest on industrial development bonds in the case of certain small issues.

Public Law 91–36, which extends through July 1969 the rates of withholding of income tax (including withholding of surtax) in effect with respect to wages paid before July 1, 1969.

Public Law 90–618 (the Gun Control Act of 1968) (1) channeled interstate and foreign commerce in firearms through importers, manufacturers, and dealers licensed under meaningful Federal standards, (2) curbed the flow into the United States of surplus military weapons and other firearms not suitable for sporting purposes; (3) amended the National Firearms Act to extend the strict controls over gangster-type weapons to destructive devices, such as grenades, rockets, mortars, incendiary bombs, mines and similar devices; and (4) prescribed penalties for the knowing sale of firearms to certain persons (including convicted felons, narcotics users, and those adjudged mentally defective), and for the unlawful receipt, possession, or transportation of firearms in commerce.

Public Law 90–619 (1) allows the use of special natural wines in the production of wine spirits; (2) permits the addition of wine spirits to certain natural wines of other than a winemaker's own production; (3) liberalizes restrictions on the sweetening of high acid wines; and (4) changes the alcohol content limitations applicable in the production of certain wines.

Public Law 90–630 (1) extended the loss provisions of the Internal Revenue Code relating to spirits to losses of distilled spirits after bottling but before removal from bottling premises; (2) eliminated the requirement that spirits be bottled or packaged especially for export with benefit of drawback but required that drawback claims be filed only by the bottler or packager; and (3) authorized bulk imported spirits to be transferred to internal revenue bonded warehouses without payment of the tax.

Pending Tax Legislation

Among the tax bills which had been passed by the House and, at the end of the year, were awaiting Senate action are:

H.R. 8654, extending tax relief to the crew of the U.S.S. *Pueblo* during imprisonment by North Korea.

H.R. 9951, which, among other things, provides for quarterly collection of the tax under the Federal Unemployment Tax Act.

H.R. 12290, which would (1) extend the surtax on individuals and corporations at the 10 percent rate for the period July 1 through December 31, 1969, and at the 5 percent rate through the first 6 months of 1970, (2) repeal the investment tax credit, (3) postpone for 1 year the scheduled reduction of the excise taxes on passenger automobiles and communication services, (4) provide a low income allowance for individuals, and (5) allow fast tax depreciation of costs of certain air and water pollution control equipment.

Legislative Cooperation

The Service has been cooperating with the staff of the Joint Committee on Internal Revenue Taxation in drafting amendments to the Internal Revenue Code designed to eliminate obsolete and unnecessary provisions in the alcohol, tobacco, and firearms areas. The Joint Committee anticipates early passage of a noncontroversial bill to achieve elimination of "dead wood" from the Code.

Interpretative Activities

Cases referred to the Interpretative Division by the Assistant Commissioner (Technical) and the litigation divisions in the Office of Chief Counsel during the year included a large number of particularly significant legal issues. Of special interest are a series of rulings in the cooperative area; a wide variety of problems involving public policy; and numerous questions regarding depreciation and the investment credit. Segregated schools and groups concerned with urban renewal received particular attention in the exempt organization area. Both litigation and ruling requests generated numerous interesting accounting, earnings and profits, and corporate reorganization issues. Varied questions relating to the taxability of nonprofit organizations were encountered. The areas of organization classification, taxation of insurance companies, constructive receipt of income, partnerships, and natural resources have been particularly active during the past year.

Legal Staff Decreases

As of June 30, 1969, the Chief Counsel's Office employed 1,249 persons, with 620 attorneys and 629 non-attorney employees. This represents a decrease of 29 attorneys and a decrease of 4 non-attorney employees from last year. Attorneys are assigned to the National Office and regions as follows:

Office	*Number of attorneys*
National Office	242
Central Region	48
Mid-Atlantic Region	59
Midwest Region	53
North-Atlantic Region	66
Southeast Region	43
Southwest Region	41
Western Region	68

6 chapter

International Activities

Foreign Tax Assistance Staff Gives On-Site Technical Advice.

Inter-American Center of Tax Administrators Holds Third Annual Assembly in Mexico City.

Overseas Taxpayer Assistance Furnished

"Competent Authority" Activity Expanded.

$23 Million Additional Tax Remitted by Foreign Governments or Withholding Agents under Tax Treaty Provisions.

Introduction

The broad overseas program of the Service consists of three functions. One involves providing assistance when requested to developing countries in improving their systems of tax administration. Another is the administration of tax laws as they apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations. The third function involves participation in the negotiation of tax conventions or treaties with foreign countries to prevent economic double taxation. When approved and put into effect, these treaties become useful and necessary guidelines in administering our tax laws in the foreign area. Some of the more important highlights and accomplishments resulting from the Service's efforts to carry out these functions during the year are related below.

Foreign Tax Assistance

For the past 6-years the Internal Revenue Service, through the Foreign Tax Assistance Program, has been providing technical assistance to developing countries of the free world at their request. This program is mainly a joint effort with the Agency for International Development (AID), in which AID provides the funds and the overall development policy, and the Service provides the technical program, direction, and staffing. International and private organizations which have formulated programs for tax reform in developing countries are continually consulted to insure consistency and to prevent duplication in the programs. Among those consulted are the Organization of American States, the Inter-American Development Bank, the International Monetary Fund, the United Nations, and Harvard University.

Onsite Assistance Provided

Onsite technical advice is one of the two major features of the program. At present there are 61 long-term advisors staffing 21 overseas teams. Seventeen of the teams are located in Latin America: Argentina, Bolivia, Brazil, Chile, Columbia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, and ROCAP (AID's Regional Office for Central America and Panama). The four remaining teams are in Korea, the Philippines, Turkey, and Vietnam. This year the major phase of the project in India was successfully completed and the onsite team was withdrawn. On the other hand, a long-term team was sent to Trinidad and Tobago. The program is also providing technical backstopping for retired Service and Treasury personnel who are engaged in assisting the Republic of China, Jamaica, Lebanon, and Singapore.

In support of the long-term teams, 24 specialists were given short-term assignments to 13 countries. Surveys of tax administration reform needs were completed in British Honduras, Ethiopia, Lebanon, and Singapore.

More Countries Participate in U.S. Training

The other major element of the program is the orientation and training of foreign tax officials. Supervisory and managerial training is provided in the United States, in major foreign languages, while technical training is done in the host countries. This year 219 participants from 58 countries took part in training in the United States. Since the inception of the program, the Service has been host to 1,693 such visitors from 94 foreign countries.

A new feature of the training activity this year was the preparation and distribution, through AID missions and Service teams, of a Spanish-language home study course in accounting. This course is intended to fill a need for accounting training in those countries in which such training is difficult to obtain.

Development of Systems Analysis Capability

Systems analysis capability is essential to the development of tax administration institutions in Latin America. A pilot System's Analysis Training Program (SATPRO) was developed and given as an experimental course to 25 participants from five countries in 1966. Experience gained from this pilot program led to the development of SATPRO II which is designed for onsite presentation in each country. The program includes a five-volume set of materials in Spanish and provides 60 weeks of combined classroom and on-the-job training. Successful completion is a necessary first step in the development of senior analysts. Courses were initiated this year in Chile and Costa Rica.

CIAT Expands Operations

The Inter-American Center of Tax Administrators (CIAT) is a regional self-help institution composed of the principal tax administrators of Western Hemisphere countries. Canada became a member during the year, increasing the number of countries represented to 21. The Third Annual General Assembly took place in Mexico City in May 1969, where the members concentrated on various aspects of planning for tax administration. Fifty-nine delegates from member countries participated, together with over 50 observers from international organizations and other countries within and without the hemisphere. The U.S. delegation was headed by Commissioner Thrower, and included Deputy Commissioner Smith and Harold Moss, Director of the Foreign Tax Assistance Staff. Mr. Smith was one of the featured speakers. Lic. Roberto Hoyo, General Administrator of Income Taxes of Mexico, was elected president of CIAT's Executive Council, and Commissioner Thrower was elected First Councilor.

Among its other activities, the Center sponsored its first technical seminar in San Jose, Costa Rica, in January, for directors of audit. The United States was represented by Mr. Singleton Wolfe, Director of the Service's Audit Division. Based on the success of that effort, a similar seminar on automatic data processing has been scheduled for next year.

Tax Harmonization in Economic Communities

The formation of communities of developing countries, such as common markets and free trade areas is an increasingly important element in advancing economic progress. The harmonization of internal tax systems will play an important role in improving the pace and quality of this development. The Foreign Tax Assistance Program's regional advisor for Central America and Panama rendered active assistance to the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA) in the development of a tentative plan for harmonization of tax policy and administration. This effort is being watched quite closely since it will provide a precedent for tax harmonization in subsequent common markets.

New Tax Conventions Negotiated

Attorneys from the Office of the Chief Counsel, as representatives of the Commissioner of Internal Revenue, assisted the Treasury Department in negotiations with eight countries concerning bilateral income tax conventions and with three countries concerning bilateral estate tax conventions. In 10 cases the negotiations took place outside the United States.

Instruments of ratification of an income tax convention between France and the United States were exchanged on July 11, 1968.

Overseas Taxpayer Assistance Furnished

Tax assistance was furnished U.S. overseas taxpayers for the 16th consecutive year. Participating in this program were 12 field agents and seven office auditors. Over 100,000 miles were traveled during the 1969 filing period in offering tax assistance to some 25,000 taxpayers located in 109 cities, in 53 different countries plus the Canal Zone and the Islands of Wake and Guam.

A series of income tax seminars on tax assistance were held for U.S. taxpayers in 16 pre-selected cities. These seminars were held on an experimental basis to provide economical but highly effective assistance to large audiences. The experiment was so successful that a decision has been made to expand this type of taxpayer assistance next year.

During the 1969 filing period the document "Answers to Questions Most Frequently Asked by U.S. Taxpayers Abroad" was used in television and radio broadcasts and in the newspapers to assist the maximum number of taxpayers abroad with their tax problems. This booklet is available for reference purposes in all U.S. embassies and consulates.

To provide tax assistance to the military community abroad, the Office of International Operations (OIO) and The Judge Advocate General of the Army again sponsored a program of classroom basic income tax law instruction to selected members of the Armed Forces. Over 800 servicemen attended these tax schools which were conducted at military installations in Europe, the Far East, and the Canal Zone. Upon completion of the program, the students returned to their military units where they made income tax advice available to approximately two-thirds of our Armed Forces abroad.

Foreign Post Activities

Tax interests overseas are of major importance due to U.S. citizens and business interests abroad. The Service depends largely upon a staff of 17 technical and nine clerical employees, assigned to nine foreign posts, to carry out the mission of the Service in overseas areas. The foreign posts are located at Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Sao Paulo, and Tokyo. As foreign geographical areas are divided among these nine foreign posts, some post areas are vast, encompassing thousands of miles. For instance, 16 foreign countries are included in the Sao Paulo post territory while the Rome post includes 14 countries on three continents and requires 4,000 miles of travel to the most distant point.

The functions of the foreign posts are varied. They include district type activities such as audit, collection, informal conference, and collateral assistance. Compliance is promoted by assisting taxpayers and U.S. business firms and organizations abroad. Offices of Chief Counsel, Department of Justice, and Treasury frequently are assisted on tax matters involving foreign areas. Extensions of the foreign post duties include such activities as locating and interviewing witnesses, assisting with depositions, serving summonses, arranging contacts and giving guidance on tax matters to Government officials who travel abroad.

Income tax treaty administration matters are among the important functions of the foreign posts. In this area they assist with competent authority matters, maintain close liaison with foreign tax officials, handle informally matters that otherwise might become complex and serve as advocates of U.S. citizens and business firms when foreign taxation contrary to treaty provisions is proposed.

U.S. Investment Abroad Increases

Under present law, information returns must be made on Form 959 by every citizen or resident who, on or after January 1, 1963, owns 5 percent or more in value of outstanding stock and by every officer or director of such foreign corporations.

Information from these reports is incorporated in our ADP system and used to identify U.S. ownership in foreign corporations for audit purposes and to determine the trends in investment abroad. It is also used to develop Treasury and Service programs involving United States-foreign transactions.

Analysis of these reports indicates that more U.S. businesses are entering foreign markets through direct investment in foreign corporations.

In 1969, 3,161 new foreign corporations were identified from 7,288 Forms 959 filed. At the close of the year the total number of foreign corporations identified in which U.S. persons own at least 5 percent of the stock increased to 39,627. Canada, United Kingdom, Mexico, and France, in that order, are the top four foreign countries in which U.S. persons have made investments.

Expansion of Automatic Data Processing to OIO

The task force appointed last year has identified the systemic and procedural problems which have in the past prevented the processing of OIO's low volume, high complexity returns under the Service's automatic data system. Some of these problems are the extended filing date for taxpayers overseas, the income exclusion provisions of the Internal Revenue Code, the location of taxpayers all over the world which necessitates the exclusive use of airmail, the use of Spanish language by taxpayers residing in Puerto Rico, and other peculiarities which makes the processing of OIO's returns unlike the processing of returns filed by stateside taxpayers.

These problems have now been resolved, including the issuance of Spanish language forms and correspondence, making it possible to machine process these returns. Therefore, OIO's conversion to data processing has been scheduled for January 1, 1970, for business returns and January 1, 1971, for individual returns. The Mid-Atlantic Service Center has been selected to process these returns.

Included in the documents which will be taken into the system are approximately 200,000 returns filed by U.S. citizens residing abroad. Because these returns frequently contain unique issues not found in the returns of resident citizens, they cannot be identified for examination by the computer under the discriminant function system being used to screen the returns of other taxpayers. Special procedures are being adopted to screen OIO returns manually at the service center through the use of specially selected audit criteria.

Some Returns Not Included in ADP System

Remaining outside the ADP system will be returns filed by nonresident aliens (Forms 1040NR), foreign corporations doing business in the United States (Forms 1120F), and withholding agents responsible for withholding tax from income flowing abroad (Forms 1042). These returns, almost 100,000 in number, will continue to be filed with and processed manually in OIO, along with the approximately half-million information documents (Forms 1042S) which accompany withholding agents returns. Study of these returns will continue in hopes of resolving systemic and procedural problems to permit their inclusion in the automated system at an early date.

Developments in Collection of Taxes Overseas

The location of taxpayers and their assets outside the United States and the collection of taxes from these taxpayers generate unique problems for OIO. However, a precedent established by success in a court case during this year will somewhat alleviate these problems.

Normally, U.S. courts cannot assist in these cases because of lack of jurisdiction. However, in one case, it was discovered that the U.S. court had jurisdiction notwithstanding the fact that both the taxpayer and his assets were in a foreign country.

The case in point was *United States* v. *Hendrik van der Horst, et al.* The United States District Court for the District of Delaware ordered the sequestration of 5,000 shares of preferred stock, the certificates for which were located outside the United States, and rendered judgment in favor of the United States. This order was rendered under the provisions of Delaware law. The Delaware law provides that the situs of stock in a Delaware corporation is presumed to be in Delaware regardless of the location of the stock certificates. This law allows creditors of shareholders in Delaware corporations to foreclose their liens by action in Delaware on such shares even though the stock certificates are unavailable and the debtors beyond reach.

Requests for Relief Under Revenue Procedure 64–54 Continue

Revenue Procedure 64–54 provides for administrative relief from double taxation where Section 482 allocations are made between U.S. taxpayers and their controlled foreign entities. This Procedure has expired for taxable years beginning on or after January 1, 1965; however, requests for relief from economic double taxation submitted under this procedure continue to be received.

At the end of 1969, 128 requests had been received claiming $12 million in offsets. Action was completed on 99 requests involving $9.6 million. Relief denied for various reasons totaled $2.8 million or 29 percent of the total claimed.

Relief under Revenue Procedure 69–13 is extended to domestic corporations and their domestic subsidiaries located abroad. It is too early to determine the additional volume of requests that will be received under this new concept. However, initial requests indicate that they will be unique and complex.

Expanded Competent Authority Activity

The elimination of double taxation by the competent authority under tax treaties with foreign countries is an activity growing in scope and importance each year. The expanded activity during this year is attributable to several factors. There has been a large increase in U.S. investments abroad. There has also been an increase of foreign investments in the U.S. primarily due to the Foreign Investors Tax Act. In addition, the Organization for Economic Cooperation and Development meetings have made treaty countries aware of the problems of the proper apportionment of income and

deductions between related enterprises. This has brought about an increase in international allocation type cases which have necessitated consideration by the respective competent authorities.

Various issues were acted upon by the U.S. competent authority and his counterparts under the treaties which included determinations of nature of income, dual residence status, permanent establishment problems, and foreign tax credit problems.

During the year 63 treaty cases (income and estate tax issues) were considered and 34 cases were closed. The greatest activity in the treaty area involving competent authority intervention was with the United Kingdom and Canada. Even further activity in the competent authority area is expected because of the expiration of Revenue Procedure 64–54. For taxable years beginning after December 31, 1964, taxpayers who are subjected to economic double taxation due to section 482 allocations made between related domestic-foreign entities may apply for relief to the competent authority, if a treaty country is involved.

Service Achieves Uniformity in Certification Program

The Service withholds at the statutory rate of 30 percent on income flowing abroad to nonresident aliens unless the address of the payee indicates that a treaty country reduced rate is applicable. On the other hand there has been a trend among treaty countries to use a certification system to determine if U.S. recipients of income from their respective countries are entitled to reduced treaty withholding rates.

The Service has encountered administrative problems in certifying to all the information requested by these treaty countries; furthermore, there has been a lack of uniformity among the treaty countries as to the nature of the information requiring certification.

A study of income received by U.S. recipients from treaty countries indicated that potentially more than 123,000 requests for certifications could be received annually. Considerable effort, therefore, was devoted to achieving consistency and simplicity in a certification program which would find acceptability by the United States and its treaty partners.

The Service developed a standard format which has been accepted by six treaty countries (United Kingdom, Belgium, Germany, Netherlands, Italy, and Luxembourg). Basically, this certification states that the particular U.S. person has filed a U.S. income tax return as a resident of the United States.

It is contemplated that if other treaty countries request certifications similar arrangements will be negotiated to follow the procedure now in effect.

Income From Foreign Investment in the United States

Each year the Service compiles statistics on income flowing from U.S. sources to nonresident aliens, foreign corporations, and other foreign entities. This income, whether subject to or exempt from withholding, must be reported to the Service by the U.S. payer. Analysis of these statistics provides useful data on the nature, source, and amount of foreign investments in the United States. This information is used by Treasury and the Service in considering legislation and compliance programs in the international area.

Latest statistics available show that for calendar year 1967, as in past years, substantially all of the foreign investment in the United States originates in foreign countries with which the United States has income tax treaties. These treaties provide, in most cases, for preferential tax treatment of the income from investments in the United States by persons resident in treaty countries. At the present time the United States has income tax treaties with 32 countries. These include 10 countries to which the 22 basic treaties were automatically extended when they became independent.

The following table is a summary of income paid to nonresident aliens and foreign entities and applicable tax withheld from such income during calendar year 1967. The table shows that persons from Canada, Switzerland, and the United Kingdom invested the largest amounts in U.S. enterprises. The amounts shown in the fourth column of the table, headed "Tax from Foreign Governments or Withholding Agents," represent additional tax remitted to the United States in excess of the reduced rate on dividend income provided for by an applicable treaty when received by persons not entitled to the reduced rate. This income is subjected to withholding in the United States at treaty rates since it is paid to persons with addresses in treaty countries. Where the recipient is a nominee and the beneficial owner is not a resident of a treaty country the treaty country collects and remits an additional amount to meet the U.S. statutory 30 percent withholding requirement. Of the $23 million additional tax remitted by foreign governments, nearly $21 million was from Switzerland.

Income payments to nonresident alien persons of treaty and nontreaty countries during calendar year 1967 and tax withheld therefrom

Country	Number of information documents	Thousand dollars: Income	Tax withheld by domestic withholding agents	Tax from foreign governments or withholding agents	Total tax withheld
Total	475,650	928,947	114,346	23,305	137,651
Treaty countries:					
Australia	3,546	2,453	300		300
Austria	1,798	4,133	123	--------	123
Belgium and overseas territories	7,864	15,279	1,943	188	2,131
Canada	208,826	190,920	24,302	1,268	25,570
Denmark	1,632	5,641	225	--------	225
Finland	244	543	17	--------	17
France	12,819	40,545	4,299	50	4,349
Federal Republic of Germany	20,917	44,957	2,143	--------	2,143
Greece	2,066	1,408	233	--------	233
Ireland	3,172	3,230	408	--------	408
Italy	6,795	11,112	878	(1)	878
Japan	2,330	7,144	947	--------	947
Luxembourg	1,784	6,148	634	94	728
Netherlands	4,907	86,654	10,452	527	10,979
Netherlands Antilles	1,607	22,925	3,154	5	3,159
New Zealand	723	936	85	--------	85
Norway	3,757	2,336	227	--------	227
Pakistan	177	292	34	--------	34
Sweden	3,509	14,350	951	--------	951
Switzerland	30,283	174,536	20,102	20,754	40,856
Union of South Africa	909	814	258	--------	258
United Kingdom and overseas territories	47,672	229,665	28,481	419	28,900
Nontreaty countries by Forms 1042S	77,397	52,413	13,271	--------	13,271
Treaty and nontreaty countries by Coupon Bond Information documents	30,916	10,513	879	--------	879

[1] Amounts too small to report.

When reporting income payments to foreign persons the U.S. payer submits an information document, Form 1042S, identifying the recipient of the income, the nature and amount of income paid, and the amount of tax withheld. Under the automatic exchange of information provisions of income tax treaties with foreign countries the Service furnishes copies of these information documents to the tax authorities of these foreign countries. During calendar year 1968 approximately 400,000 information documents were automatically sent to these foreign tax authorities. In return, the Service received 123,000 documents from them giving similar information on income received by U.S. taxpayers from sources within their countries.

chapter 7

Planning Activities

Planning Geared Toward Growing Workload.

Continued Studies Measure Compliance.

Computer Selects Returns for Statistical Samples.

Planning-Programing-Budgeting System Focuses on Key Management Issues.

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Research Studies Taxpayer Oriented

Research activities were directed toward advancing the overall administration of the tax laws. Research projects were initiated to:

1. Assist the Treasury Department in formulating its legislative program.
2. Measure the extent of taxpayer compliance in reporting specific types of income, and
3. Effect improvements in procedures, forms and instructions.

Assistance in Treasury Legislative Program.—The assistance provided the Office of the Secretary on tax legislative proposals took many forms. The impact of tax reform proposals on the Service's costs and resources was periodically updated; optional sets of tax tables were designed to implement various tax rates proposed; and the administrative implications inherent in changes in legislative proposals were reviewed as proposals took various shapes in the legislative process.

Studies to Measure Compliance.—Studies to determine the extent of taxpayer compliance in reporting various types of income provided objective bases for legislative proposals, regulatory changes, and other program modifications. Prominent among these compliance-oriented studies completed or in process were the following: (1) A study of taxpayer's compliance in reporting Federal unemployment tax conducted in cooperation with the Bureau of Employment Security of the Department of Labor; (2) a study to determine the extent to which farmers report as income payments from the Department of Agriculture under major conservation and commodity stabilization programs; and (3) a sample survey to ascertain the extent of compliance in the reporting of interest from the redemption of series E savings bonds.

Research to Improve Overall Administration.—Research studies having an effect on overall tax administration included a review of the present filing due dates for tax returns and information returns to determine whether any changes would assist taxpayers and the Service. In addition, a study is underway to determine the most effective approach for employing computer methods to assert penalties for failure to comply with requirements for timeliness and adequacy of tax deposits for employment, excise, and estimated income taxes.

Efforts Expended to Better Coordinate with Facilities and Systems of Employers and States.—A survey of payroll practices and systems of employers was initiated in order to provide benchmark data for devising improvements in the various employment tax laws, and to enable the Service to adjust withholding and collection systems in accordance with facilities available to employers. Also, with a view toward facilitating the interchange of tax information between States and the Service, State tax agencies and employment securities offices were surveyed to obtain basic information about their data processing systems.

Projects To Assist Taxpayers

A survey of the reporting practices of payers of annuity benefit was conducted during the year. The purpose of this survey was to obtain data to provide a basis for improving the content of information furnished to recipients by the taxpayers. Also, assistance was given in preparing an instructional booklet, which in layman's language provides rules on the tax treatment of annuity payments received by regular and disabled Civil Service retirees. The Civil Service Commission mailed approximately 600,000 of these booklets to disabled and regular retirees.

Additionally, in order to alleviate hardships on taxpayers arising from overwithholding of income tax, a study to determine the primary causes of such overwithholding was completed and recommendations were made to: (1) eliminate withholding on nontaxable employees; (2) liberalize the rules for claiming additional withholding allowances; and (3) provide for optional cumulative withholding where compensation is not spread evenly over the year, as in the case of commissions, bonuses, and seasonal employment.

Systems Development Activities

Plans for Third Generation Equipment at Data Center

A request for proposals for replacement equipment for the Detroit Data Center was made to the computer industry in October 1968. The present equipment is almost 10 years old, and it is anticipated that modern computers, with modern programing aids and operating systems, can greatly reduce programing time and production time, improve computational capability and reduce the unit cost of production. Six potential suppliers responded with proposals which were evaluated in part through live "benchmark" tests. Equipment selection is scheduled for April 1970 for installation in October 1970.

Requirement For Effective Planning—The Taxpayer Compliance Measurement Program

In planning effective programs to solve the long-range enforcement problems of the Federal tax system, the Service requires an accurate measure of its workload as well as its major characteristics so that alternative applications of its limited resources can be evaluated. For this purpose the Taxpayer Compliance Measurement Program (TCMP), which is the major long-range scientific research program of the Service, was established in 1963.

In essence the TCMP can be described as a research system whose purpose is to determine whether the operational plans of the Service are attaining and maintaining the objectives of tax administration at reasonable cost. This means that in addition to developing cost yield relationships the major uses of TCMP data will be: (1) To measure the levels of compliance and tax administration gaps for determining the Service's long-term enforcement policies; (2) to determine changes in compliance levels over a period of time for proper direction of enforcement programs; (3) to develop better selection procedures to improve the effectiveness of enforcement operations; and (4) to identify alternative methods of operations to achieve greater operating economies.

Since its inauguration, TCMP efforts have been expanded to cover four major tax enforcement areas: (1) Individual income tax returns filed, (2) corporation income tax returns filed, (3) delinquent accounts, and (4) delinquent returns. Planning or implementation efforts were undertaken in each of these four areas during 1969 despite severe shortages of enforcement manpower.

The first use of the computerized discriminant function system in 1969 for selecting low-income individual income tax returns for audit was a major benefit from the use of TCMP data. Research using data from a more recent cycle of the TCMP individual returns filed survey was also undertaken to update and improve the efficiency of the discriminant function formulas to be used in selecting individual returns for audit from all income classes in 1971.

The first TCMP survey of small corporation (with assets of less than $1 million) returns was started during the year. Data from this survey will be used to develop discriminant function formulas for selecting returns for audit from the small corporation returns processed in 1973. In addition, survey data from both the individual and corporate returns filed phases of TCMP will be used in developing resource allocation models; determining needed changes in audit class definitions; evaluating taxpayer assistance programs; and measuring the level and changes in taxpayer compliance by audit class, the gross tax administration gap, and the indirect effects of tax return audits on taxpayer compliance levels.

In the delinquent accounts and returns areas, two surveys were initiated during 1969. For the first time a TCMP delinquent accounts survey was developed using a sample of taxpayers from the individual and business master files. The purpose of this survey is to determine the overall size and nature of the delinquent accounts problem in terms of taxpayer delinquent account issuance levels; sources of issuance; and distribution by size of delinquency, geographic area, and type of tax. This survey will also be used to develop and maintain a master file model for use in analysis and evaluation efforts where a sample of taxpayers, rather than a complete count, will be sufficient.

The third TCMP delinquent returns (nonfarm business) survey was also initiated during 1969. For this third cycle, the survey was extended to all seven Service regions as planned so as to completely measure the extent and tax significance of return filing delinquency among nonfarm business taxpayers; to measure the level and changes in noncompliance; to test the coverage completeness of the ADP master file system; to determine taxpayer characteristics associated with nonfiling; and to measure the returns filing delinquency gap not accounted for by current operations.

Planning-Programing-Budgeting System Focuses on Key Management Issues

Analyses of the 1969 program alternatives were conducted to meet the resource restrictions imposed by the "Revenue and Expenditure Control Act of 1968" (Public Law 90-364) as a part of the Service's Planning-Programing-Budgeting System (PPBS) to minimize the impact of hiring restrictions on tax administration programs. First priority was assigned to data processing programs in order to make timely tax deposits, to issue refunds, and to issue bills for taxes due. Second priority was afforded to the delinquent accounts and returns programs. Since the Service has no way to control the number of delinquent accounts issued, or the number of leads to unfiled returns, inventories in these enforcement areas grew. As a consequence, the effects of the hiring restrictions had to be absorbed predominately in the audit program.

A "Specialized Analysis of Programs for Reduction of Crime" was conducted as a part of an executive branch effort to identify resources allocated to combat crime. A decision was made to increase resources allocated to the drive on organized crime.

As an integral part of the PPBS, the Service continued to conduct several in-depth analyses of significant Service programs in order to facilitate the selection of alternative courses of management action. Among the most significant of these are:

1. A special study of the total "Taxpayer Assistance and Services" program to re-examine the overall objectives in areas of rulings and interpretations, forms and publications, printing and distribution of tax forms, taxpayer assistance and related services, and taxpayer education and public information.

2. A complete review to re-evaluate the role of office audit in accomplishing the overall Service mission of maximizing voluntary compliance with the Internal Revenue laws.

3. A study which is to result in a developmental effort aimed at designing and implementing a data processing system to provide the capabilities required by tax administration in the 1970's. A contract was negotiated with a systems engineering consulting firm to assist the Service in planning and conducting this study.

Two major program issues were designated by the Budget Bureau for PPB studies. A study of the "Level of IRS Audit Coverage" was completed and a long-range study of Service organization, aimed at producing a plan of organization best suited to the tax administration job of the next decade, was initiated.

Service Workload Expected to Continue to Grow

The projected expansion in U.S. population, employment, and income indicates a continuing growth in the number of tax returns to be filed through 1980, and the need to plan for the required resources and systems capable of handling the workload associated with the increased volume. Effective planning requires projections of tax returns to be filed for various detailed categories to meet specialized needs for processing and auditing returns, and for estimating long-range requirements for the number of personnel and facilities. In addition, the projections are used for current work planning, budget development, and the allocation of funds and manpower between regions and service centers.

Between calendar years 1960 and 1969 the number of individual returns rose 24 percent and corporation returns 57 percent. The more complex individual returns, those with incomes over $10,000, increased from 4.7 million in 1960 to 19.1 million in 1969 (306 percent) and are expected to increase to 44.9 million by 1980.

The total returns workload grew from 94.5 million in 1960 to 110.7 million in 1969 and is expected to reach 113.2 million in 1970, 124.7 million in 1975, and 137.7 million in 1980. Projections for some of the major categories of returns are as follows:

Selected Types of Returns Filed in 1968 and 1969 and Projected for 1975 and 1980, by Calendar Year

[In thousands]

Type of Return	Actual [1] 1968	Estimate [2] 1969	Projected 1975	Projected 1980
Total returns	108,900	110,917	124,686	137,682
Individual, total	72,885	75,131	85,757	95,272
AGI under $10,000 [3]	57,317	56,030	51,800	50,349
AGI $10,000 and over	15,568	19,101	33,957	44,923
Corporation, total	1,710	1,780	2,153	2,545
Forms 1120 and 1120 Special, total	1,493	1,545	1,811	2,113
Assets under $50,000 [4]	647	667	772	893
Assets $50,000, under $1,000,000	750	781	925	1,086
Assets, $1,000,000 or more	96	97	114	134
Forms 1120S and 1122	217	235	342	432
Employment [5]	22,163	22,226	24,228	25,996
All other [6]	12,142	11,780	12,548	13,869

[1] Data by size class are estimated.
[2] Based on most recent reports of returns filed; remainder of year estimated.
[3] In addition to Forms 1040 and 1040A, includes Forms 1040C, NR, PR, and SS.
[4] Includes Form 1120 with assets not reported.
[5] Includes Forms 940, 941, 941M, 942, 943, 943PR, CT-1 and CT-2.
[6] Includes individual declarations, partnership, estate, gift, exempt organization, special occupation, fiduciary, excise tax returns, and Forms 7004 and tentative Forms 1120L and M and Form 1042, but excludes corporation declarations in 1968.

Computer Designates Returns For Statistical Samples

Computer selection of tax returns for statistical purposes was extended to corporations. First used to select 1965 Form 1040 and 1040A returns at a single service center, this computer application is now in operation at all service centers to produce a stratified probability sample from all individual and corporation income tax returns entering the master file system. In the individual area the technique has permitted a reduction of 100,000 returns in the size of the sample. This represents a one-third decrease and a substantial cost saving in processing information. Sample returns so selected are used in the two major statistical efforts of the Service—Statistics of Income and the Taxpayer Compliance Measurement Programs.

Statistics of Income

Two 1965 Statistics of Income volumes—one for corporation income tax returns, the other for noncorporate businesses were released, completing the series of reports representing the 50th consecutive year of the publication of statistics with respect to the operation of the income tax laws. A list of other Statistics of Income reports published during the year appears on page 92.

Some highlights of the most recent data, published or unpublished, are:

1. Individual income taxpayers reported a record high $505 billion adjusted gross income for tax year 1967, an increase of almost 8 percent. Tax liability rose to $63 billion, a substantial 12 percent increase. Net capital gain showed the sharpest rise of any source of income, an increase of almost 38 percent. Some summary data for 1967 are presented in the table on page 53.

2. Preliminary estimates of data taken from Schedules C and F, Forms 1040 for 1967, indicate that there were 9.1 million sole proprietorships for 1967 with business receipts totaling $211 billion and net profit of $30 billion. These estimates reflect very minor increases over similar data for 1966.

3. Preliminary estimates of data taken from partnership tax returns filed for 1967 show that 906,000 entitites, representing over 2.9 million partners, had business receipts totaling $78 billion and net profit of $11 billion. While net profit showed a small increase, the number of partnerships and amount of business receipts declined slightly, continuing a long-term trend.

4. Data for 1966 from the complete corporation income tax return report reveal that there were almost 1.5 million returns filed for such entities, reflecting total receipts of $1.3 trillion, total deductions of $1.2 trillion, and net income (less deficit) of $81 billion, all 9 percent increases over 1965.

The Tax Models in 1969

During the past year, the Service expanded the uses of the "Tax Models." Originally developed 6 years ago to meet the Treasury's need for timely estimates of the revenue effect of proposed tax legislation, these models have proved to be valuable planning and economic tools.

Each Tax Model consists of a magnetic tape file containing a randomly selected sample of taxpayer records, and computer programs capable of manipulating these records so that tax (or other return

Individual income tax returns: Number of returns, sources of income, and itemized deductions

Item	Income year 1963	1964	1965	1966	1967
A. Number of returns	(Thousands)				
All individual returns, total	63,943	65,376	67,596	70,160	71,652
Taxable	51,323	51,306	53,701	56,709	58,673
Nontaxable	12,620	14,069	13,896	13,451	12,979
Returns with itemized deductions, total	28,154	26,910	27,872	28,560	29,774
Taxable	25,828	25,009	25,957	26,792	28,122
Nontaxable	2,326	1,900	1,915	1,768	1,652
Returns with standard deductions, total [1]	35,789	38,446	39,724	41,600	41,977
Taxable	25,495	26,297	27,744	29,917	30,551
Nontaxable [1]	10,294	12,169	11,980	11,683	11,327
B. Sources of income	(Million dollars)				
Adjusted gross income, total	368,778	396,660	429,201	468,451	504,809
Salaries and wages [2]	299,443	323,266	347,150	381,067	411,646
Business, farm, and profession	23,872	25,628	27,953	30,258	30,745
Dividends in adjusted gross income [3]	11,452	11,917	12,961	13,998	14,202
Interest received	9,212	10,125	11,296	13,225	14,899
Partnership	9,313	9,731	10,606	10,726	11,534
Capital gains	6,449	7,939	10,181	9,941	13,682
Other income [4]	9,037	8,055	9,055	9,236	8,101
C. Itemized deductions	(Million dollars)				
Itemized deductions, total	46,053	46,832	50,739	54,566	59,623
Taxes	Not tabulated	14,071	Not tabulated	17,468	Not tabulated
Interest paid		12,457		14,971	
Contributions		8,327		9,122	
Medical and dental expense		7,095		7,681	
Other deductions		4,882		5,322	

Note.—Returns classified as taxable are those with income tax after credits.

[1] Includes returns with no adjusted gross income.
[2] For 1963, reduced by sick pay exclusion and certain employee business expenses. For 1964–1967 gross salaries are shown.
[3] Except for 1967, excludes amounts reported on Forms 1040A.
[4] Reduced by self-employed pension deduction for 1963 and by self-employed pension deduction, sick pay exclusion, employee business expense deduction, and employee moving expense deduction for 1964-1967.

items) can be determined under prescribed conditions. The models are capable of measuring the effect of simultaneous changes on each tax record and projecting the results to the entire taxpaying population.

The 1966 models for individuals and corporations have recently been used to evaluate various tax reform proposals including repeal of the investment credit, a minimum income tax, and new individual income tax return filing requirements.

Various segments of the Service have found the Models increasingly useful as an aid in determining and evaluating workload problems. Some examples of tabulations in this area include: Redefinition of audit classes of individual income tax returns reflecting the discontinuation next year of the Form 1040A; the effect of various surcharge rates on the number of balance due and overpayment returns; projections of income sources through 1985 to aid in projections of returns filed by income classes.

The past year found a larger portion of model tabulations being directed to requests for economic data by other Federal Government agencies. The Service provides these data, on a reimbursable basis, to the extent that the projects do not interfere with regular internal programs. Two recent examples of these types of tabulations are: Geographic distributions of sole proprietors with and without employees by size of gross receipts (Bureau of the Census); and, geographical distributions of farm income, farm program payments, and sources of nonfarm income for farm proprietors (Department of Agriculture).

chapter 8

Management Activities

Nationwide Promotion Plan Developed.

Hiring of and Services to the Blind Expanded.

Training and Development of Managers Receives Renewed Emphasis.

Systems Approach Applied to a Variety of Training Programs.

Surveillance Maintained Over Internal Operations.

Financial Management Continues Contribution to Improvement of Resource Management

Over the past several years the Service has taken a number of measures toward achieving maximum utilization of resources in accomplishing its work programs—an effort which continues to challenge the imagination and ingenuity of all Service officials. These measures include the Planning-Programing-Budgeting System and related Special Studies Program; the Taxpayer Compliance Measurement Program; the annual operating financial plan; the position management system; work planning and control systems; and the decentralization of management and control of resources to the lowest feasible operating levels. The Service's financial management operations are vitally concerned with these efforts.

Service Responds to Employment Restrictions

During 1969 the over-riding restraint on accomplishment of Service programs was the restriction imposed on employment by the Revenue and Expenditure Control Act of 1968. This act limited Government employment by prohibiting the filling of more than three of every four new vacancies occurring through attrition. This ratio was later cut to seven of 10. As a result, the Service lost many employees whom it could not replace, and so was unable to accomplish all the work which had been provided for by the 1969 appropriations passed by Congress.

The fact that these restrictions came on the heels of severely unbalancing expenditure cuts imposed in fiscal year 1968 magnified the damage. In these 2 years, the Service lost some 4,900 positions which it would otherwise have had available to perform vital compliance and returns processing work. (About 2,500 of these were the result of the fiscal year 1968 cuts; about 500 were new people, authorized by Congress for fiscal year 1969, who could not be hired; and approximately 1,900 were attrition vacancies, occurring during fiscal year 1969, which could not be filled.) Under these circumstances the Service was obligated to give the clearest possible explanation to the Congress of the real effects of these cuts on the tax administration system. In response to these problems the Congress has authorized 3,486 additional positions in fiscal year 1970.

Early executive decisions on the Service's approach were essential if plan managers were to maintain a balanced operation. Priorities were set to insure the processing of the uncontrollable workload of tax returns received, while allowing other crucial programs to continue at reduced, but relatively balanced levels.

To meet the basic requirements of the law special controls and reporting procedures had to be established. Supplementary controls and more timely reporting procedures were also established to help insure that resource management decisions were made promptly, and that plan managers had the flexibility to respond quickly to changed conditions.

For fiscal year 1969 the Internal Revenue Service was authorized an increase of 836 positions and $60.7 million over 1968. However, because of restrictions placed on manpower and expenditures, the Service was unable to realize 1,002 of the man-years of work originally planned for fiscal year 1969.

Forced savings from employment restrictions were applied to reduce the supplemental appropriation required for pay increases as shown in the following table.

Utilization of savings
[In millions of dollars]

Appropriation	Total cost of pay increases	Forced savings applied	Supplemental
Total	30,266	20,924	9,342
Salaries and expenses	1,014	564	450
Revenue accounting and processing	5,592	....	5,592
Compliance	23,660	20,360	3,300

Man-years authorized and realized by appropriation for 1968 and 1969 (exclusive of reimbursements) are compared below:

Man-years authorized and realized

Appropriation	Authorized		Realized		Percentage realized	
	1968	1969	1968	1969	1968	1969
Salaries and expenses	1,479	1,515	1,497	1,488	101.2	98.2
Revenue accounting and processing	21,948	22,950	22,897	22,499	104.3	100.4
Compliance	42,609	42,407	42,866	41,883	100.6	98.8
Total	66,036	66,872	67,260	65,870	101.9	98.5
Increase 1969 over 1968	....	+836	....	−1,390	....	−3.4

For more detail by appropriation, by activity, and also obligations by districts, regions, and National Office, see tables 26 and 27 on pages 122 and 123.

Management Improvements Yield Savings of $14.7 Million

Many noteworthy cost reduction and management improvement actions, described elsewhere in this report, were implemented in 1969. However, the total man-year and dollar savings realized—$14.7 million—fell $2.1 million short of the record savings reported in 1968. The negative impact of severe resource restraints was certainly a contributing factor.

Managers and employees throughout the Service again demonstrated their ability to devise better and less expensive methods of doing their work. This is illustrated by the fact that $11 million, or 75 percent, of the total savings achieved in 1969 stemmed from improvements originating at working levels, mostly in the field. The balance of savings, $3.7 million, was derived from major projects originated by the National Office. In 1970 and 1971, the Service is projecting savings goals of $15 million and $15.1 million, respectively.

Emphasis on Quality Suggestions Brings Increased Savings

As part of a new look for the suggestion program, communications were improved and emphasis was placed on quality suggestions. By mid-year there was a noticeable decrease in the number of suggestions received and adopted, but savings nearly doubled over those for the same period the previous year. Thirty-six Service employees were honored at the Department of the Treasury Fifth Annual Awards Ceremony. Of this number, one received the Exceptional Service Award and three received the Meritorious Service Award.

Revised Administrative Accounting System Brings Added Benefits

The administrative accounting system has been revamped to incorporate accrual and cost information and to meet overall financial management and reporting needs. A few of the changes resulting from study of the financial and accounting systems were as follows:

1. The 1970 Operating Financial Plan or internal cost budget provides allocations of funds and manpower by program to major operating levels. The accounts make readily available to each financial plan manager information on cost and fund allocations as well as the status of obligating authority.

2. Plan managers now work from an Operating Financial Plan which consolidates appropriated and reimbursable funds. Only the reimbursement program manager in the National Office is responsible for measuring the execution of the reimbursement plan. He coordinates all planning of reimbursable work and advises plan managers on the status of

execution against amounts included in their plans. This procedure provides plan managers some relief and, at the same time, aids in the planning and control of reimbursable funds.

3. The system provides accounting data on accruals and costs in the detail and at the levels required to support the Service's cost-based budget and to control the execution of the Operating Financial Plan. Reports on plan execution which compare planned with actual man-year and dollar expenditures have been changed in format to allow a more meaningful managerial review. These reports on plan execution furnish Service-wide data on program accomplishments and related costs and supply financial information required by the Bureau of the Budget.

Consolidation of Alcohol, Tobacco and Firearms Laboratories

Alcohol, Tobacco, and Firearms Regional Laboratories in Chicago, Dallas, New York, San Francisco, and Seattle were consolidated into multiregional laboratories located in Atlanta, Cincinnati, and Philadelphia during the year. In these larger, better equipped facilities, more efficient use of manpower, space and equipment is expected to provide better services to regions at an annual savings in excess of $162,000 annually.

Narcotic drug analysis formerly done for the Bureau of Narcotics was phased out as the Justice Department's Bureau of Narcotics and Dangerous Drugs activated laboratories to take over this work. This change was required by Presidential Reorganization Plan No. 1 of 1968.

Reports Management Program Produces Significant Results

The Service-wide Reports Management Program continues to move forward through high level management emphasis and active participation by Service people. During fiscal year 1969, the Service placed special emphasis on the cost of reporting and the need to reduce the reporting burden where possible. Through this effort, the Service achieved a reduction of 9 percent in reporting cost. The net dollar reduction in overall cost amounted to $1,187,000 thus permitting a redirection of manpower to essential operations or to increased workloads. Considerable attention is also being directed to the mechanization of many of our reporting systems with the benefit of more accurate, timely, and less costly management information.

Change in Financial Management Improves Overall Program Quality

By treating the fiscal year 1970 training programs as a unified support program, the planning, reporting, and administering of Service training funds have been simplified. This approach enables training personnel to devote more manpower to program management rather than funds control and facilitates decentralization of the administration and financing of training programs.

Personnel and Training Programs Improve Quality and Increase Efficiency

Service Center Employment Increases as Redeployment Approaches Final Phases

Concentration of returns processing operation in seven service centers continued to present a staffing problem. More than 90,000 employment applications were processed in securing 14,000 seasonal card punch operators, clerks, and tax examiners needed to assist in processing the high volume of tax returns. Major recruitment efforts were required, since the labor market for clerical employees continues to be extremely competitive.

The Service is continuing to carry out the data processing conversion with minimum adverse impact on affected employees. Of the initial 12,000 employees affected, approximately 10,800 have been redeployed without resorting to any adverse personnel actions or involuntary transfers. Although there will be approximately 1,200 positions for such employees remaining in the districts, staffing imbalances in certain offices will require further redeployment solutions (already identified) for approximately 250 employees. The Southeast Region completed its phase-out of manual operations last year, and four more regions were scheduled to complete changeover by July 1969. The Service is exerting all possible efforts to conclude redeployment with the same degree of success the program has enjoyed to date.

Recruitment Resumed at Year-End

Contacts were maintained with campus recruitment sources and seminars were held for academic representatives in preparation for renewed hiring authority which began to be restored toward the end of the year. In spite of the general cut in hiring, provision was made for continuing and expanding special emphasis programs, such as employment of the blind and other handicapped or disadvantaged personnel. The work-study program under which students work part-time was stimulated as a potential source of replacements for professionals, particularly accountants, in the face of a diminishing supply.

Because of the urgent need to proceed with service center hiring, very few vacancies were left to be filled under the 70 percent rule. As a result, only 600 professional employees were hired. As an exception to the legislative limitations, the Bureau of the Budget authorized, late in the year, the filling of 599 enforcement-type positions for the organized crime drive.

The Civil Service Commission authorized special higher salary rates for newly recruited revenue officers in California. This action was designed to aid in recruiting and retaining these necessary enforcement personnel in an extremely competitive California labor market. The new rates became effective in April and are applicable to future recruits as well as to the 74 entrance level (GS–5 and 7) revenue officers already on duty.

Man-years realized during each of the past 2 years and employees on rolls at the close of 1968 and 1969 are shown in the following table:

Location and type	Man-years realized		Number on rolls at close of year	
	1968	1969	1968	1969
Service, total	67,574	66,064	65,177	64,507
Permanent	60,412	58,562	59,517	57,742
Temporary	7,162	7,502	5,660	6,765
National Office	[1] 3,967	[1] 3,862	3,700	3,793
Field service, total [2]	63,607	62,202	61,477	60,714
Data processing, total	[r] 21,665	21,603	[r] 19,820	19,603
Collection, total	10,213	10,081	9,951	10,105
Revenue officers	6,278	5,845	6,030	5,853
Other	3,935	4,236	3,921	4,252
Audit, total	21,155	20,248	21,154	20,486
Revenue agents	13,430	12,767	13,061	12,631
Office auditors and tax technicians	3,147	2,869	3,001	2,792
Other [3]	4,578	4,612	5,092	5,063
Intelligence, total	2,386	2,293	2,388	2,310
Special agents	1,769	1,684	1,731	1,673
Other	617	609	657	637
Alcohol and tobacco tax, total	2,607	2,639	2,610	2,712
Investigators	981	1,045	985	1,090
Inspectors—general	434	399	416	389
Inspectors—on premises	418	409	414	395
Other	774	786	795	838
Appellate, total	1,623	1,522	1,596	1,504
Appellate conferees	717	669	696	647
Auditors	161	146	152	----
Other	745	707	748	857
Administration, District Office	[r] 2,493	1,610	[r] 1,588	1,633
Administration, Regional Headquarters	n.a.	884	911	923
Regional Counsel	782	759	786	769
Regional Inspection	683	663	673	669

[r] Revised.
n.a. Not available—Included in District Office above.
[1] Includes terminal leave man-years for entire Service.
[2] Includes Office of International Operations, National Computer Center, and IRS Data Center.
[3] Includes overseas employees hired locally (3 in 1969 and 3 in 1968).

Cooperative Work-Study Participants Increase

The Service continued its efforts to attract undergraduates majoring in accounting and to prepare them for careers in the Service as internal revenue agents and internal auditors. The program is structured either for alternating extended periods of work in Service offices and on-campus study, or students may work part-time throughout the school year and full-time in the summer. Although the manpower ceiling restrictions continued to curtail full-scale participation by many offices, 175 students participated in the program. Seventy-one percent of the students completing the program during calendar year 1968 became full-time Service employees.

Nationwide Promotion Plan Developed

In line with continuing efforts to improve the quality and utilization of employees, the Service developed a new Service-wide Promotion Plan, which covers virtually all nonsupervisory positions in the Service and replaces eight different promotion plans previously used by the regions and the National Office. The benefits of a single plan will be twofold—it will provide uniform procedures and promotion opportunities for all employees, and it will enable managers to be better aware of qualified employees outside their immediate offices.

Assessment Centers Utilize Advanced Selection Techniques

The Service has developed and implemented a pilot Assessment Center Program for helping select first-line supervisors. This technique (first applied by the American Telephone and Telegraph Co.) involves trained managers' observations and evaluations of candidates as they perform in a series of group and individual exercises which simulate supervisory situations. Selecting managers then receive a written report which gives them data on different skills and behaviors than are ordinarily observed on the job. The Service's pilot Assessment Center was designed by personnel and training specialists, and used by North-Atlantic Region managers to assess about 150 candidates from that region. Based upon an appraisal of the costs and benefits involved, decisions will be reached on extended use of Assessment Centers within the Service.

Service Establishes New Links With Universities

In recognition of the fact that professors of accounting and tax law have considerable influence in shaping the attitudes of their students toward tax administration, the Service invited representative accounting and tax law professors from 50 colleges and universities to meet with National Office executives to explore common areas of interest, such as tax administration problems, student intern co-op programs, training programs and utilization of college professors for short- and long-term assignments within the Service. A number of mutual benefits are expected to grow out of these meetings, and follow-up seminars are planned to keep the Service closely attuned to university developments. In addition, arrangements are being made for universities to administer and grade the Service's longstanding correspondence accounting courses.

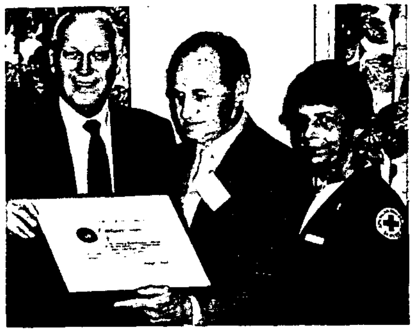
Service Intensifies Efforts for Handicapped

Substantial accomplishments in employing handicapped persons were made by the Service during the year, including the designation of 200 Service coordinators for the employment of the handicapped. Related efforts included appointments of mentally retarded individuals to appropriate lower-grade positions. Service centers continued to employ deaf persons as well as some mentally retarded people. The North-Atlantic Service Center continued as a pacemaker in productively utilizing the mentally restored. Recognition to the handicapped included a Commissioner's Award for the late Paul Spence, the Service's nominee as Outstanding Handicapped Federal Employee of the Year and one of the 10 National finalists for this Civil Service award. This employee had the primary Service responsibility for the recent renovation and air conditioning of the National Office headquarters building.

Hiring and Services of the Blind Expanded

Special efforts were made on behalf of the blind, including successful utilization of blind persons as taxpayer service representatives. By the end of the year, 22 such employees had been trained and were employed in districts throughout the country. Another 50 to 75 will join them in the next 3-years, as the result of a special training program conducted for the Service by the Arkansas Enterprises for the Blind, under a $100,000 grant from the Department of Health, Education, and Welfare. Braille masters for materials to train these employees were prepared by women volunteers of the Cleveland Chapter of the American Red Cross, who received the Commissioner's Award in recognition of their outstanding work. This was the first time the Commissioner's Award had been granted to persons outside the Service.

The Service again provided blind taxpayers, employees, and trainees braille copies of tax forms, along with related instructions. The bulk of the copies produced were distributed to the Library of Congress which fills requests from the public. Copies were also distributed to the Arkansas Enterprises for the Blind and to regional libraries throughout the country.



Clifford Glotzbach, Assistant Director of Internal Revenue Cleveland District, presents the Commissioner's Award to William Birkhold and Mrs. Arthur Skall, officials of the Cleveland Red Cross Chapter who accepted the award on behalf of its Voluntary Braille Service Group No. 908. Twenty-six members of the Group worked with complete dedication to produce 4,000 brailled masters (the transcription of 16 tax forms with instructions and nine publications into braille) from which copies were made for use by Service blind employees.

Gains Achieved in Equal Employment Opportunity

Minorities made encouraging gains in all grades from GS–5 to GS–16. Eight members of minority groups were in senior staff and managerial positions at GS–15 and above at year's end.

Foremost in the year's equal employment activity was the revision of the *Equal Employment Opportunity Handbook* and the issuance of a new action plan. The revision also implements a program of equal opportunity for women, provides for assistance to minority groups in finding suitable housing if housing acts as a barrier to employment, and places more emphasis on advancement, training and promotional opportunities.

Many efforts have been made by operating officials to achieve equal employment opportunity. Three of the most significant accomplishments include:

(1) *A Programer Reading and Training System at the Detroit Data Center.*—This is a self-developmental program where clerical employees are given the opportunity, through a Data Center developed home-study course, to gain entry into technical and professional level positions.

(2) *Assistance to Negro Colleges.*—Nine field offices have met with Negro colleges in their areas and pointed out to college officials where curricula need strengthening or where additional accounting courses were needed to qualify graduates for internal revenue agent positions.

(3) *Intergroup Relations Seminars.*—In recent years the Service has run a series of Equal Employment Opportunity seminars for supervisors and managers. As part of this continuing effort, seminars were held at the Little Rock District Office and the Southwest Service Center, designed to test some of the assumptions that members of different races make about one another. The participants worked alternately as members of all black, all white, or all Spanish-American teams and then as members of mixed teams to better understand the attitudes and assumptions of all of the participants. Insights were developed into how each participant could become a better team member in a real work situation. The Service Center seminar has been filmed for the purpose of developing an audiovisual supervisory development aid for Service-wide use.

Employee-Management Cooperation Activity Continues Rapid Increase

During the year the tempo of employee organization activity increased. The Service became one of the most highly organized agencies in the Government with more than 90 percent of its eligible employees being exclusively represented by four major employee organizations. Approximately 51,500 employees are now covered under exclusive recognition, an increase of more than 8,000 over the past year.

There was also an increase in negotiation activity. During the year the Service negotiated 10 more collective bargaining agreements, for a total of 26 since the beginning of the Employee-Management Cooperation Program under Executive Order 10988. There are now 18,000 employees covered by negotiated agreements. Nine other agreements to cover some 4,800 employees are in the process of being negotiated.

Training and Development of Managers Receives Renewed Emphasis

A completely redesigned middle-management course was offered to newly appointed managers. Its object is to present contemporary management approaches and theories and to explore current Service management problems and areas of emphasis. Key officials teach a substantial portion of the revised course. Additionally, public administration and social science research is also being used to provide new insights into management problems. A *Readings in Management* collection of articles was distributed to all Service managers, as well as the new *Management Training and Development Handbook*. The Handbook for the first time systematizes and puts into perspective the wide variety of training and other activities involved in developing Service managers at all levels.

Revenue Agent Training Restructured

The basic training for new revenue agents was revised during the year to include practical on-the-job training. The curriculum provides initially for a few weeks of desk-side assistance to an experienced agent auditing a case followed by periods of classroom training and additional practical experience. The trainee is introduced to the whole job sooner than under the former curriculum and obtains a base of practical experience to help him get more out of classroom sessions.

Systems Approach Applied to Training Programs

Considerable training time and attention was devoted to examining the training curriculum and insuring that the program continues to fit current performance expectations of Internal Revenue Service jobs. Although the individual principles involved in this re-examination are not new and have been used by the Service in the past, they are now being applied on a more systematic basis, or *training systems* approach—similar to the approach currently being used by universities and a number of other agencies—to further tighten training programs. A number of Service training specialists, selected analysts, and managers attended training systems workshops during the year. These workshops foster analysis of the total organizational setting in search for solutions to human performance problems; they emphasize use of non-training solutions, such as job redesign, where analysis indicates that training would be a more expensive or less effective solution.

Service center training programs continued to receive high priority attention because of their critical contribution to the efficiency of the automatic data processing system. As part of the systems approach, emphasis this year was placed on analyzing service center processing operations to review specific tasks performed and evaluating and measuring performance during and after training sessions.

Use of Sophisticated Equipment Improves Training Effectiveness, Cuts Costs

Teaching machine programs were used in several different courses, principally in Form 1040 processing operations taught in all seven service centers. Savings in instructor and trainee time offset initial equipment and program development costs the first year, and recurring savings are anticipated.

Instructional television equipment is now being installed in principal training sites in the field. The closed-circuit television system at the National Training Center has been used routinely in technical skills training, instructor training, and other situations where video-taping of trainee preformance can increase learning effectiveness. This capability is being extended to the field.

Regional Training Center Added

A training center was activated at Hofstra University to service the North-Atlantic Region as part of the Service's plan to establish a center in each region. Satellite training sites will be used in Boston and Buffalo when savings can be achieved by conducting classes there. Regional Training Centers for the Mid-Atlantic, Southeast, and Southwest Regions are now in the planning stages.

Taxpayer Education Emphasis Shifts to Adults

In the past, the Service's taxpayer education efforts have centered largely on instilling an understanding of taxes in high school students; however, last year other approaches were expanded. During 1969 the Service conducted a pilot institute for poverty workers using some of the learning material developed for taxpayer service representative training. Plans are to expand this effort during 1970 to help soften the impact of tax form changes, particularly on taxpayers with small incomes. A comprehensive guide for regions has been developed that defines elements of the program with emphasis on reaching broader segments of the public.

Tax education institutes are presented annually for professional tax practitioners and others who help fill out tax returns.

The Service also has developed a number of taxpayer education seminars for the general public, particularly for small businessmen. Other programs have been developed in conjunction with bar associations, certified public accountants associations, and local newspapers, to help these groups aid the general public. An increasing number of Service employees are teaching in local adult education programs.

Taxpayer education in school systems is still the largest of these programs. Materials are distributed free, upon request, to high schools, junior high schools, business schools, and other groups. In 1969, requests totaled 3.5 million general student texts, 500,000 farm student texts, and 80,000 teacher's guides.

Firearms Training Broadened

As a result of the enactment of new firearms laws it was necessary to develop training material for firearms instructor schools. Two schools were held in the National Office for training special investigator-instructors with 60 special investigators in attendance. These training schools were designed to prepare those attending to conduct similar training sessions in the regions for all alcohol, tobacco, and firearms special investigators.

Better Facilities Management Benefits Employees and Taxpayers

New Returns Processing Space Acquired

The Service in fiscal year 1969 used 11.7 million square feet of space to house its offices, service centers, training centers, warehousing, and laboratories. Fifty-five percent of this space is in Federally owned buildings. The balance of 45 percent is leased by the General Services Administration at an annual cost of $17.7 million. The use of leased space increased by 2 percent over last year because the service centers required additional offsite space to handle their workloads.

The service center expansion program initiated 3 years ago is progressing. The Southwest and Southeast Regional Service Centers have received additional space, and contracts have been let for the extensions to three other centers. Estimated completion dates for these are: North-Atlantic, January 1971; Mid-Atlantic, July 1970; Central, December 1970. Construction already has begun on the extensions to the Midwest and Western Regional Service Centers.

To meet pressing additional space needs generated by the increasing number of returns filed, the Service intends to construct three additional service centers by September 1971. Proposed general locations are Fresno, Calif.; Suffolk County, Long Island, N.Y.; and Memphis, Tenn. Each of the new centers would comprise about 500,000 square feet and be able to accommodate a peak-week prime shift of about 4,100 people.

Telecommunications Save Manpower and Money

The Service continued to make ever-increasing use of the telephone and other telecommunications media as the most effective and economical means of communicating, both internally and with the public. Telecommunications systems were expanded or redesigned to provide operating officials with additional voice and message communicating facilities.

Continuing in-depth studies of the cost of telephone calls made by major field offices in communicating with the public, as opposed to the cost of alternative methods of communicating, produce additional evidence of the benefits of expanded usage of telecommunications facilities.

Tax Forms Acquire Colorful New Look

In January 1969 more than 30 million taxpayers received Federal income tax packages printed in two colors of ink. The basic reason for use of color was an effort to minimize taxpayer error. Approximately 9 percent of all returns filed contain errors which in total require a significant expenditure to correct. It was hoped that the use of a strongly contrasting color, highlighting those areas having the greatest error factor would aid the taxpayer. The significant words in those areas appeared in red with the balance of the forms and instructions printed in blue. Approximately 25 million taxpayers received this red and blue version. Another five million in the area serviced by the North-Atlantic Service Center received a slightly different tax package. This version, in addition to two colors on the Form 1040 had a tint color over the information areas and white for fill-in spots.

A scientifically selected sampling indicates that color has reduced errors by 57 percent. This means the prevention of millions of errors which otherwise would cost approximately $2 each to correct. Overall taxpayer reaction to the colored forms was excellent.

Records Holdings Continue to Decrease

Although more tax returns were filed, Service records holdings continue to decrease, due to an active disposal program and use of Federal records centers. In calendar year 1968, 442,215 cubic feet of records were destroyed or sent to records center for storage. Much needed space and equipment valued at $1.9 million were released for reuse by the Service.

A contributing factor in reducing records holdings was the agreement negotiated with the General Services Administration, and approved by the Bureau of the Budget, to send tax returns to records centers approximately 1 year after processing. In the past, these returns were kept in Service space for 3 years prior to retirement. These records are retrieved by enforcement personnel when needed.

More Forms and Form Letters Standardized

Both the public and Service are benefiting from continuing efforts to eliminate unnecessary forms and form letters. This year's net reduction of 478 public and internal-use forms maintained the 5-year average of a 3 percent per year reduction of Service forms and form letters.

The following table summarizes the results of this year's forms management program:

Forms and form letters

Prescribed by	Opening inventory	Newly developed	Eliminated	Closing inventory	Net change
Total	15,845	2,220	2,698	15,367	−478
National Office (used at headquarters and Service-wide)	5,844	473	233	6,084	+240
Regional offices (used by regional headquarters components or 2 or more district offices)	6,936	745	1,286	6,395	−541
District offices (used by local districts and their subordinate offices)	1,047	166	458	755	−292
Service centers	1,808	743	606	1,945	+137
Data center	210	93	115	188	−22

Joint Post Office-IRS Efforts Yield Better Mailout Operations

Continuing close cooperation and coordination with the Post Office Department resulted in improved postal operations, particularly during the tax package mailout and filing periods. Specifically,

—the Post Office picked up approximately 44 percent of the tax packages from 1-to-5 days earlier than usual, the taxpayer received his tax package earlier, and some storage space requirements were eased;

—usage increased for two-way cartons in place of mail pouches for mailing tax packages, enabling the Post Office to keep several thousand mail pouches (normally tied up for days waiting to be used for mailing the packages) in daily service;

—during the labeling and packaging operations, postal employees at the service centers helped direct and assist in staging tax packages so they could be loaded into Post Office trucks quickly and in correct delivery sequence;
—equipment such as forklift trucks, truck trailers, and typing machines, when not immediately needed by the Service or the Post Office, was loaned to the other;
—misdirected mail averaged less than one-half of 1 percent, as opposed to more than 1 percent the previous year.

Motor Vehicle Fleet Increased

The Service fleet of law enforcement cars increased by 210 to 1,460, primarily to carry out additional duties pursuant to the new Firearms Act and the organized crime drive. An additional 1,776 cars are leased from General Services Administration for administrative purposes. The Service has worked closely with GSA and employee unions to provide the quantity and quality of transportation employees need to do their job.

Disabling Injury Rate Lowered Again

The disabling injury frequency rate of 2.4 during calendar year 1968 was the lowest in 16 years of recordkeeping. This represents an 8 percent improvement over the 1967 experience. Thus, in the fourth year of the 6-year program of the President's Mission SAFETY–70, designed to reduce the number of injuries and costs by 34 percent by the end of 1970, the Service has already achieved a 31 percent reduction.

The Cheyenne District extended its perfect record to 14 years of activity without a disabling injury. The unique performance of the Aberdeen District was noteworthy in completing 1968 without sustaining a single automobile accident or personal injury of any kind.

Service-wide accident prevention efforts in 1968 averted 151 disabling injuries with an estimated saving to the Government of $453,000. In the past 4-years an estimated 382 injuries were averted and $958,000 saved in costs for medical care, lost production time, and property damage.

Record Motor Vehicle Safety Rates Achieved

Although the National total of motor vehicle accidents increased during 1968, the Service accident rate remained the same as the previous year—7 accidents per million miles driven. Only 659 accidents were sustained during 93 million miles of driving. This motor accident frequency rate represents one of the lowest rates ever recorded in the Service.

Surveillance Maintained Over Internal Operations

Integrity Vital to Public Confidence

The success of the tax system depends upon the public's faith in the objectivity and the integrity of the Internal Revenue Service as the impartial administrator of Federal tax laws. To insure that this faith is not violated the Service conducts continuing inspections into questions of integrity, and the adequacy and effectiveness of operations.

Facts developed through audits and investigations are reported to management officials, who have the responsibility for taking corrective action. When evidence of a violation of a Federal criminal law is disclosed pertinent data is furnished to the Department of Justice.

Internal Auditing Helps Management Maintain Effective Programs

All Service activities and functions are subject to internal audit—as an integral part of the Service's management control system. Major emphasis is placed on activities most closely related to collection of tax and enforcement of the tax laws.

Data processing activities at the seven regional service centers are examined on a continuing basis by teams of auditors stationed at the centers to permit timely detection and correction of systemic and operational deficiencies. During 1969 the system for reporting internal audit findings on data processing activities was modified to further reduce the time between detection and correction.

A new format for reporting the results of examinations of the audit function was put into effect to provide management with more comprehensive data for evaluating the effectiveness of the various programs and operations through the country.

Management's actions to correct and resolve reported deficiencies and problems contribute significantly to the efficiency and effectiveness of the operations of the Service and to improved taxpayer relations. Additional revenue and savings from corrected deficiencies in 1969 are estimated at $39 million.

Tests disclosed that about 18 percent of the claims by taxpayers on their 1968 income tax returns for excess Federal Insurance Contributions Act (Social Security) taxes were erroneous and that more than 90 percent of these errors would not be detected under the processing procedures in effect. Management's actions to revise the processing procedures will result in additional revenue estimated at $14 million annually.

Integrity Safeguarded by Service Inspection Programs

Internal security for the Service is accomplished by conducting background investigations on applicants and by investigating complaints or allegations of misconduct or irregularities concerning Service employees. Investigation of persons outside the Service are made when their actions constitute an effort to corrupt Service personnel through bribery or other means.

Since September 1, 1961, 650 Service personnel have reported what they believe to be attempts by taxpayers or their representatives to bribe them in an attempt to gain an improper tax advantage. A total of 162 individuals have been prosecuted since 1961 for attempting to bribe Service personnel.

This program continues to show effective results. Arrests or indictments for attempted bribery in tax cases totaled 44 in fiscal year 1969 as opposed to 32 in fiscal year 1968. At the end of the year, 58 cases were pending trial.

Attempts to bribe are not confined to any one geographical area nor to any particular segment of our citizenry. Examples are as follows:

> A realtor in California offered a revenue agent five acres of land to influence examination of his returns. The subject of this investigation received the most severe sentence ever imposed as result of this type investigation. He was sentenced to 15 years in prison with no suspension provisions and fined $20,000 following his conviction for attempted bribery.
>
> A certified public accountant in New York offered $5,000 to a revenue agent.
>
> A widow in Florida offered a revenue agent $2,600 regarding examination of her returns.
>
> An insurance consultant in Pennsylvania offered $1,000 to a revenue agent.
>
> In Louisana, a stockbroker and an independent businessman, acting as intermediaries for an alleged underworld figure who was the subject of a tax examination, offered a revenue agent $10,000.
>
> In Michigan, the owner of a supply company offered a revenue agent $1,200.

Major Schemes to Defraud Investigated

Teams composed of internal auditors and internal security inspectors investigate breaches of integrity involving actual or potential frauds on the revenue by employees or through collusion between employees and taxpayers.

Investigation was continued in the case of 26 employees and former employees and one accountant, all of whom were arrested in January 1968 on charges of attempting to bribe an internal security inspector. Twelve additional arrests have since been made. These bribes were for the purpose of obtaining information contained in inspection files or to circumvent investigations relating to corrupt activities. During the year five persons pleaded guilty, 20 are awaiting trial, 11 are pending grand jury action, one person died, and the grand jury returned a no true bill on one of the 38 subjects.

Tax examinations initiated in connection with this investigation have resulted in deficiencies well in excess of $1 million. The investigation is continuing and it is anticipated that the total tax deficiencies involved will amount to over $2 million.

False Refund Schemes Detected

The complexities of the automatic data processing system and the continued changes taking place within the system have required new approaches in dealing with fraud. In one case involving the ADP system a revenue officer initiated a multiple income tax refund scheme. Prior to apprehension he acquired over $31,000. The employee was prosecuted, convicted, and sentenced to prison. An analysis of the characteristics involved in the scheme was made and computer programs were developed as a means of identifying similar schemes. These programs have resulted in the identification of two additional schemes.

Investigation of one of the schemes disclosed the perpetrator filed 112 returns at the seven service centers during the past 3 years and received approximately $80,000 in refunds. He was prosecuted on charges of false claims for refund and sentenced to 8 years in the penitentiary with 5 years probation to commence upon completion of the prison sentence.

In a second refund scheme a former employee filed individual income tax returns using fictitious names in obtaining refunds in excess of $20,000. She was indicted May 8, 1969, on 26 counts of false claims and 13 counts of forging and uttering. The Intelligence Division participated in both of these cases.

Recently, another fraudulent refund scheme was identified. Auditors and inspectors are working in cooperation with the Intelligence Division on this case, and computers have been used to identify participants. Over $100,000 in fraudulent refunds have been identified to date.

Inspection Program Results in Sizable Number of Prosecutions and Convictions

During the year there was considerable activity in the initiation of prosecutive action involving various offensives. A total of 56 individuals were arrested or indicted; 12 were employees or former employees of the Service and 44 were taxpayers and tax practitioners.

At the end of the year, trial or indictment was pending involving 50 employees or former employees and 82 taxpayers. These prosecutions were initiated on the basis of such charges as embezzlement, selling confidential tax information, fraudulent refund schemes, attempted bribery, solicitation of a bribe, and conspiracy to defraud the Government of taxes due. As a result of one investigation, bribery and conspiracy indictments were returned involving a Service employee, a president of an electronic corporation, a president and general manager of a contracting firm, and a certified public accountant. A number of the prosecutions involved charges of embezzlement. In one case, a former revenue officer was indicted by a Federal grand jury on one count of extortion and five counts of embezzlement. Investigation to date disclosed the former employee failed to account for approximately $9,500 collected from various taxpayers.

Thirty-nine persons were convicted during the year of various criminal offenses. Twenty-six of those convicted were non-employees and 13 were employees or former employees. Thirty of the thirty-nine defendants preferred to plead guilty rather than go to trial.

Investigations Completed

During the year, 8,950 investigations were completed compared to 12,081 last year, a decrease of 3,131. Police record checks were made on 3,137 individuals considered for short-term temporary appointments and on 1,787 persons hired in connection with economic and education opportunity programs. This decrease in cases completed is a result of curtailment in hiring due to budgetary restrictions.

The Service also conducts investigations relating to background of certain applicants for enrollment to practice before the Internal Revenue Service; charges against tax practitioners; and accidents involving Service employees or property. Special investigations or studies requested by the Commissioner, the Secretary of the Treasury or other components of the Treasury Department are also part of the Service's internal security effort.

A tabulation of the types of investigations completed during the past 2 years and the related disciplinary actions are set forth as follows:

Investigations and disciplinary actions

Type of investigation and action	1968	1969
Total investigations closed	12,081	8,950
Personnel Investigations		
Number of cases closed, total	9,920	6,806
Character and security investigations	6,022	4,332
Conduct investigations	505	475
Special inquiries	3,393	1,999
Actions taken by Service management officials as a result of personnel investigations		
Disciplinary actions, total	534	458
Separations, total [1]	195	132
Bribery, extortion, or collusion	25	6
Embezzlement or theft of Government funds or property	7	6
Failure of employee to pay proper tax	9	5
Falsification or distortion of Government reports, records, etc	89	61
Unauthorized outside activity	5	3
Failure to discharge duties properly	9	3
Divulgence of confidential information	5	1
Acceptance of fees or gratuities	2	0
Personal and other misconduct	44	47
Suspensions from duty and pay	27	24
Reprimands, warnings	312	302
Nondisciplinary actions (including clearances, closed without action, and others)	9,386	6,348
Other Investigations		
Number of cases closed, total	2,161	2,144
Applications for admission to practice before the Internal Revenue Service	736	755
Charges against attorneys, CPA's, and enrollees	102	56
Federal tort claims	163	172
Attempted bribery	89	108
Investigations for other Treasury bureaus	1,071	1,053

[1] Includes resignations, retirements, or other separations while employees were under investigation or before administrative decision was made on disciplinary action where investigation disclosed derogatory information.

Assistance Rendered to Other Government Organizations

Internal Security conducted 1,053 investigations for other Treasury components during the year. As in prior years, considerable assistance was also furnished to the Secret Service in the protection of the President and other persons. Due to the political activity in the country this past year there was considerable demand in terms of inspection manpower involving protection details.

The Service continued to give assistance in the development of a modern tax system to the Virgin Islands, at the request of the territorial Governor. An internal audit conducted in 1969 included a special study that resulted in a recommendation to change filing requirements from a monthly to a quarterly basis for excise, gross receipts, and withholding taxes. Since the assistance program was initiated, Virgin Islands tax revenues have increased from $8.9 million in 1962 to $33.8 million in 1968.

Advisory Groups Aid the Service

Advisory Groups are appointed for the purpose of suggesting ways in which the Service can improve its operations and to furnish expert advise pertaining to Art and Firearms matters. Two Advisory Groups assisted the Service during the year.

The Art Advisory Group consists of members representing the three major segments of the Art World—museums, universities, and dealers. The Group provided advice on the valuation of works of art for Federal tax purposes at meetings held on October 31–November 1, 1968, and March 13–14, 1969. The membership of the Group was as follows:

Dr. Richard F. Brown	Director, Kimbell Foundation, Fort Worth, Tex.
Mr. Anthony M. Clark	Director, Minneapolis Institute of Arts, Minneapolis, Minn.
Mr. Charles C. Cunningham	Director, Art Institute of Chicago, Chicago, Ill.
Mr. Louis Goldenberg	Art Dealer, Wildenstein & Co., New York, N.Y.
Dr. Sherman E. Lee	Director, Cleveland Museum of Art, Cleveland, Ohio
Mr. Edward R. Lubin	Art Dealer, E. R. Lubin, Inc., New York, N.Y.
Mr. Allan McNab	Art Consultant, La Pointe, Wis.
Prof. Charles F. Montgomery	University of Delaware, Newark, Del.
Prof. Charles Seymour, Jr.	Yale University, New Haven, Conn.
Mr. Eugene V. Thaw	Art dealer, E. V. Thaw Co., New York, N.Y.

The Firearms Evaluation Group was established on November 15, 1968. Meetings were held on December 10, 1968, and January 17 and 27, 1969, at which advice was given concerning the development of standards to control the importation of firearms and ammunition. The membership of the Group was as follows:

Mr. Donald Flohr	Firearms Technician, H. P. White Laboratory
Mr. Harold Johnson	Ordnance Expert, Department of Defense
Mr. Danied D. Musgrave	Representative, Mauser Works of West Germany
Mr. John Richards	Owner, Potomac Arms Co.
Mr. Jepta Rogers	Administrative Assistant, International Association of Chiefs of Police
Lt. Col. Joseph S. Smith	Deputy Director, Civilian Marksmanship Program

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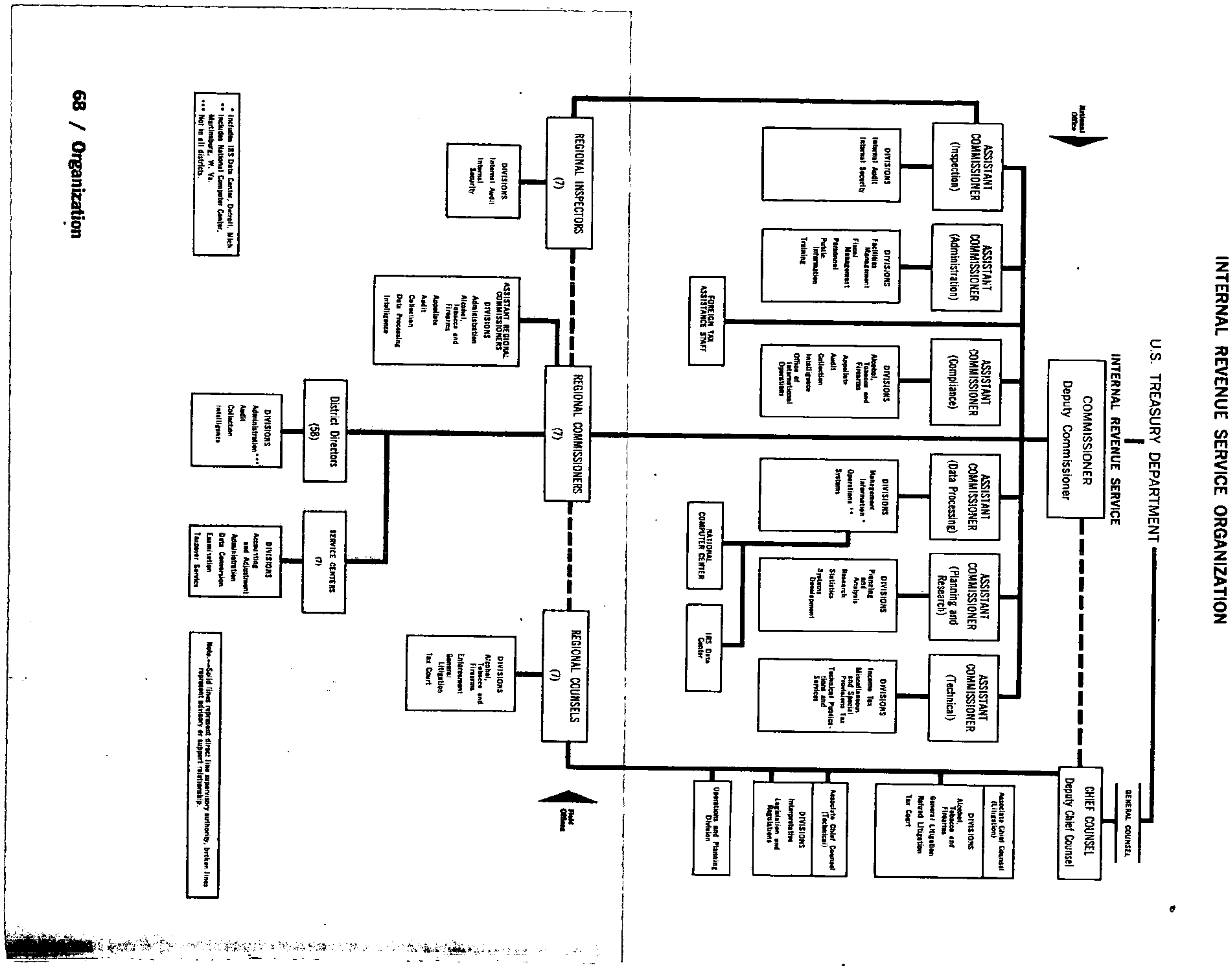
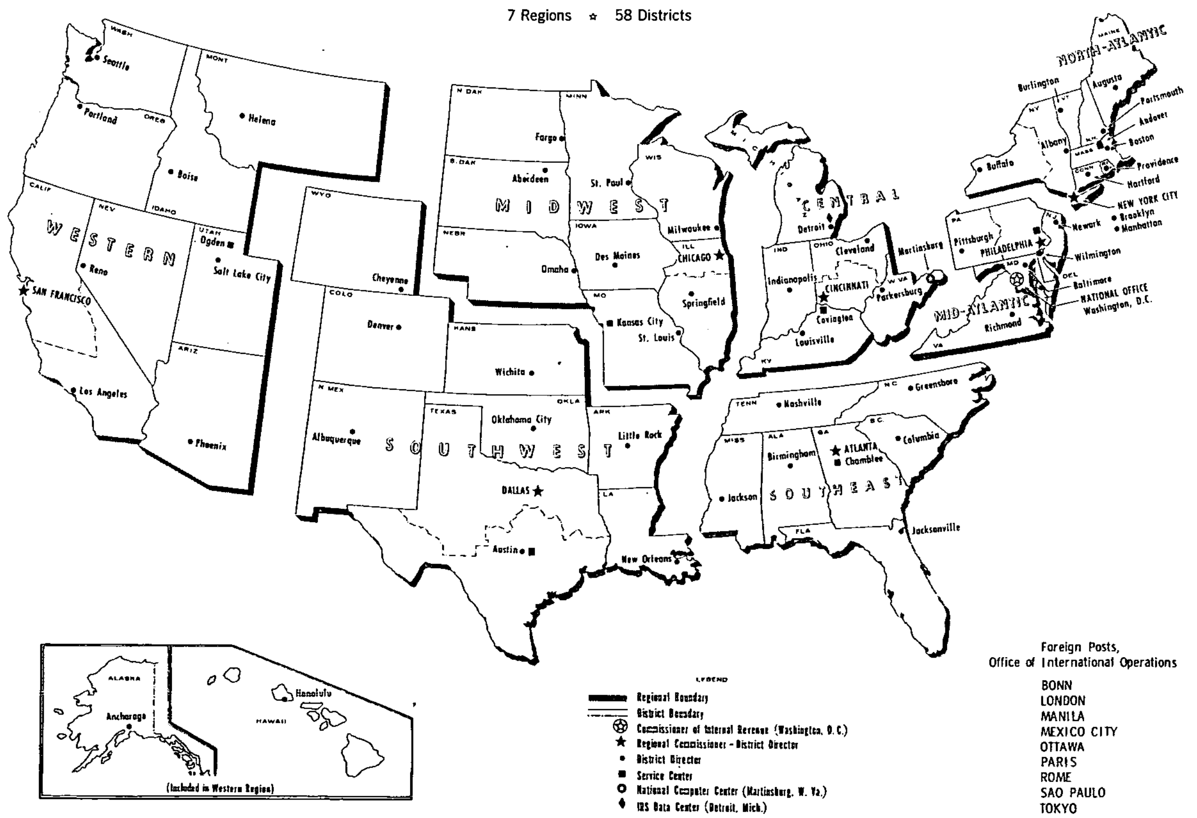
organization—principal officers

Organization of the Internal Revenue Service
Internal Revenue Regions and Districts
Service Reading Rooms
Principal Officers
Historical List of Commissioners



Internal Revenue Service

7 Regions ☆ 58 Districts



Internal Revenue Service Reading Rooms

(Locations of reading rooms same as mailing address unless otherwise indicated)

NATIONAL OFFICE
Mail Address:
Director, Public Information Division
Internal Revenue Service
1111 Constitution Avenue NW.
Washington, D.C. 20224

CENTRAL REGION
Mail Address:
Regional Public Information Officer
Room 7106
Federal Office Building
550 Main Street
Cincinnati, Ohio 45202

MID-ATLANTIC REGION
Mail Address:
Regional Public Information Officer
P.O. Box 12805
Philadelphia, Pa. 19108
Location:
401 N. Broad Street

MIDWEST REGION
Mail Address:
Regional Public Information Officer
17 N. Dearborn Street
Chicago, Ill. 60602

NORTH-ATLANTIC REGION
Mail Address:
Regional Public Information Officer
Room 1102
90 Church Street
New York, N.Y. 10007

SOUTHEAST REGION
Mail Address:
Regional Public Information Officer
P.O. Box 926
Atlanta, Ga. 30301
Location:
Federal Office Building
275 Peachtree Street

SOUTHWEST REGION
Mail Address:
Regional Public Information Officer
1600 Patterson Street
Dallas, Tex. 75201

WESTERN REGION
Mail Address:
Regional Public Information Officer
Flood Building
870 Market Street
San Francisco, Calif. 94102

Principal Officers of the Internal Revenue Service

As of June 30, 1969

NATIONAL OFFICERS

OFFICE OF THE COMMISSIONER

Commissioner----------Randolph W. Thrower
Deputy Commissioner--------William H. Smith
Assistant to the Commissioner---Edwin M. Perkins
Assistant to the Commissioner------Roger V. Barth
Chairman, Tax Forms Coordinating Committee--------------------James N. Kinsel
Assistant to the Deputy Commissioner-----------Donald C. Dawkins
Director, Foreign Tax Assistance Staff---------------------L. Harold Moss

ADMINISTRATION

Assistant Commissioner-------Edward F. Preston
Director, Program Staff----Julius H. Lauderdale
Division Directors:
Facilities Management------Leo C. Inglesby
Fiscal Management-----Gray W. Hume, Jr.
Personnel---------------Albert J. Schaffer
Public Information------Joseph S. Rosapepe
Training---------------Stanley Goldberg

COMPLIANCE

Assistant Commissioner--------Donald W. Bacon
Deputy Assistant Commisioner----Leon C. Green
Division Directors:
Alcohol, Tobacco, and Firearms---------------Harold A. Serr
Appellate---------------Arthur H. Klotz
Audit----------------Singleton B. Wolfe
Collection--------------Harold E. Snyder
Intelligence-------------William A. Kolar
Office of International Operations-----------Clarence I. Fox, Jr.

DATA PROCESSING

Assistant Commissioner----------Robert L. Jack
Deputy Assistant Commissioner---Garrett DeMots
Division Directors:
Management Information--William E. Palmer
IRS Data Center, Detroit, Mich--------------Lawrence P. Doss
Operations----------------Clinton L. Walsh
National Computer Center, Martinsburg, W. Va----John E. Stewart
Systems-----------------Donald G. Elsberry

INSPECTION

Assistant Commissioner------Vernon D. Acree, Jr.
Executive Assistant-----------Fred G. Robinette
Division Directors:
Internal Audit-----------Francis I. Geibel
Internal Security------William F. McCarthy

PLANNING AND RESEARCH

Assistant Commissioner--------Albert W. Brisbin
Division Directors:
Planning and Analysis------Marius Farioletti
Research---------------James R. Turner
Statistics---------------------Vito Natrella
Systems Development-Lancelot W. Armstrong

TECHNICAL

Assistant Commissioner--------Harold T. Swartz
Deputy Assistant Commissioner Richard J. Stakem
Division Directors:
Income Tax-----------John W. S. Littleton
Miscellaneous and Special Provisions Tax Linder Hamblen
Technical Publications and Services August F. Pohlig

OFFICE OF CHIEF COUNSEL

Chief Counsel---------------K. Martin Worthy
Technical Advisor to Chief Counsel Robert B. Jacoby
Special Assistant to Chief Counsel-W. Dean Mathis
Special Assistant to Chief Counsel-----Lester Stein
Associate Chief Counsel (Litigation) Richard M. Hahn
Technical Advisor to the Chief Counsel Paul E. Treusch

Division Directors:
- Alcohol, Tobacco, and Firearms Legal — John F. McCarren
- General Litigation — J. Walter Feigenbaum
- Enforcement — William F. McAleer
- Refund Litigation — Robert A. Bridges
- Tax Court — John T. Rogers

Associate Chief Counsel (Technical) — Thomas McP. Davis

Technical Advisor to Chief Counsel — Samuel R. McClurd

Special Assistant to Chief Counsel — Arthur B. White

Division Directors:
- Interpretative — John L. Withers
- Legislation and Regulations — James F. Dring

Operations and Planning — William P. Crewe

REGIONAL AND DISTRICT OFFICERS

Central Region

All Regional Offices at 550 Main Street, Cincinnati, Ohio 45202, unless a different address is indicated

Regional Commissioner — Charles G. Keebler

Assistant Regional Commissioners:
- Administration — Arthur J. Collinson
- Alcohol, Tobacco, and Firearms — Rex D. Davis
- Appellate — W. Franklin Hammack
- Audit — Michael A. DeGuire
- Collection — William J. Grabo
- Data Processing — Wayne S. Kegerreis
- Intelligence — Harold B. Holt

District Directors:
- Cincinnati, Ohio 45202 — Paul A. Schuster
- Cleveland, Ohio 44199 — Frank S. Turbett, Jr.
- Detroit, Mich. 48226 — Ambrose M. Stoepler
- Indianapolis, Ind. 46204 — James E. Daly
- Louisville, Ky. 40202 — Robert J. Dath
- Parkersburg, W. Va. 26101 — Hugh D. Jones

Director, Central Service Center, Covington, Ky. 41019 — Everett L. Meek

Regional Counsel — Clarence E. Price

Regional Inspector — William A. Costello

Mid-Atlantic Region

All Regional Offices at 2 Penn Center Plaza, Philadelphia, Pa. 19102, unless a different address is indicated

Regional Commissioner — Dean J. Barron

Assistant Regional Commissioners:
- Administration — Americo P. Attorri
- Alcohol, Tobacco, and Firearms — Charles R. Peterson
- Appellate — Victor Cuniglio
- Audit — Dwight L. James
- Collection — William F. Culliney
- Data Processing — Anthony L. Carrea
- Intelligence — Amerigo R. Manzi

District Directors:
- Baltimore, Md. 21202 — Irving Machiz
- Newark, N.J. 07102 — Roland H. Nash, Jr.
- Philadelphia, Pa. 19108 — Seymour I. Friedman
- Pittsburgh, Pa. 15222 — H. Alan Long
- Richmond, Va. 23240 — James P. Boyle
- Wilmington, Del. 19802 — James H. Kennedy

Director, Mid-Atlantic Service Center, Philadelphia, Pa. 19155 — Earl L. Torgerson

Regional Counsel — Cecil H. Haas

Regional Inspector, Bankers Securities Building, Walnut and Juniper Streets, Philadelphia, Pa. 19017 — Emanuel M. Schuster

Midwest Region

All Regional Offices at 35 East Wacker Drive, Chicago, Ill. 60601, unless a different address is indicated

Regional Commissioner — Alvin M. Kelley

Assistant Regional Commissioners:
- Administration — William F. Sullivan
- Alcohol, Tobacco, and Firearms — William A. Collawan
- Appellate — Wallace T. Morris
- Audit — John W. Baudendistel
- Collection — Roger C. Beck
- Data Processing — Norman B. Bergeson
- Intelligence — William B. Mayes

District Directors:
- Aberdeen, S. Dak. 57401 — William C. Welsh
- Chicago, Ill. 60602 — Eugene C. Coyle, Jr.
- Des Moines, Iowa 50309 — John F. Hanlon
- Fargo, N. Dak. 58102 — Frederick G. Kniskern
- Milwaukee, Wis. 53202 — Walter S. Stumpf
- Omaha, Nebr. 68102 — Richard P. Vinal
- St. Louis, Mo. 63101 — Edwin P. Trainor
- St. Paul, Minn. 55101 — George O. Lethert
- Springfield, Ill. 62704 — Jay G. Philpott

Director, Midwest Service Center, Kansas City, Mo. 64170 — Arnold S. Dreyer

Regional Counsel — Frank C. Conley

Regional Inspector — Gordon M. Anderson

North-Atlantic Region

All Regional Offices at 90 Church Street, New York, N.Y. 10007, unless a different address is indicated

Regional Commissioner — Harold R. All

Assistant Regional Commisisoners:
- Administration — John E. Foristall
- Alcohol, Tobacco, and Firearms — Edward J. Fox
- Appellate — Stephen C. Volpone
- Audit — William M. Wolf
- Collection — Roger F. Shockcor
- Data Processing — J. Orville Tuescher
- Intelligence — Alan McBride

District Directors:
- Albany, N.Y. 12210 — Donald T. Hartley
- Augusta, Maine 04330 — Whitney L. Wheeler
- Boston, Mass. 02203 — William E. Williams
- Brooklyn, N.Y. 11201 — Charles A. Church
- Buffalo, N.Y. 14202 — John E. Foley
- Burlington, Vt. 05402 — Fulton D. Fields
- Hartford, Conn. 06115 — Joseph J. Conley, Jr.
- Manhattan, N.Y. 10007 — Edward J. Fitzgerald, Jr.
- Portsmouth, N.H. 03801 — Frank W. Murphy
- Providence, R.I. 02903 — John J. O'Brien

Director, North-Atlantic Service Center, Andover, Mass. 01812 — Norman E. Morrill

Regional Counsel, 26 Federal Plaza, New York, N.Y. 10007 — Marvin E. Hagen

Regional Inspector, 26 Federal Plaza, New York, N.Y. 10007 — Sidney M. Wolk

Southeast Region

All Regional Offices at 275 Peachtree Street, N.E., Atlanta, Ga., 30303, unless a different address is indicated

Regional Commissioner — William J. Bookholt

Assistant Regional Commissioners:
- Administration — Zachary T. Johnson
- Alcohol, Tobacco, and Firearms — William N. Griffin
- Appellate — Vance N. Bates
- Audit — Harold B. Bindseil
- Collection — William H. Loeb
- Data Processing — Daniel H. Hollums
- Intelligence — Edmund J. Vitkus

District Directors:
- Atlanta, Ga. 30303 — Aubrey C. Ross
- Birmingham, Ala. 35203 — Walter T. Coppinger
- Columbia, S.C. 29201 — Harold M. McLeod
- Greensboro, N.C. 27401 — John E. Wall
- Jackson, Miss. 39202 — James G. Martin, Jr.
- Jacksonville, Fla. 32202 — Andrew J. O'Donnell, Jr.
- Nashville, Tenn. 37203 — James A. O'Hara

Director, Southeast Service Center, Chamblee, Ga. 30006 — Claude A. Kyle

Regional Counsel — Henry C. Stockell, Jr.

Regional Inspector — Earl L. Fuoss

REGIONAL AND DISTRICT OFFICES—Continued

Southwest Region

All Regional Offices at 1114 Commerce Street, Dallas, Tex. 75202, unless a different address is indicated

Regional Commissioner—B. Frank White

Assistant Regional Commissioners:
- Alcohol, Tobacco, and Firearms—James G. Carroll
- Appellate—G. Clinton Witt
- Audit—Lawrence M. Stewart
- Collection—Alfred N. Kay
- Data Processing—George M. Oliver
- Intelligence—William E. Beloate, Jr.

District Directors:
- Albuquerque, N. Mex. 87101—William M. Coard
- Austin, Tex. 78701—R. L. Phinney
- Cheyenne, Wyo. 82001—Richard L. Hutt
- Dallas, Tex. 75201—Ellis Campbell, Jr.
- Denver, Colo. 80202—Arthur A. Kennedy
- Little Rock, Ark. 72203—Fred W. Johnson
- New Orleans, La. 70130—Chester A. Usry
- Oklahoma City, Okla. 73102—Clyde L. Bickerstaff
- Wichita, Kans. 67202—Harry F. Scribner

Director, Southwest Service Center, Austin, Tex. 78740—Ervin B. Osborn

Regional Counsel, 1025 Elm Street, Dallas, Tex. 75202—William B. Riley

Regional Inspector, 1511 Bryan Street, Dallas, Tex. 75201—David O. Lowry, Jr.

Western Region

All Regional Offices at 870 Market Street, San Francisco, Calif. 94102, unless a different address is indicated

Regional Commissioner—Homer O. Croasmun

Assistant Regional Commissioners:
- Administration—Joseph T. Davis
- Alcohol, Tobacco, and Firearms—Brenton G. Thorne
- Appellate—Gardiner B. Willmarth
- Audit—Raymond F. Harless
- Collection—Charles D. Moran
- Data Processing—Willard L. Pierson
- Intelligence—Herman F. Kuehl

District Directors:
- Anchorage, Alaska 99501—Lewis J. Conrad
- Boise, Idaho 83701—Calvin E. Wright
- Helena, Mont. 59601—Nelson L. Seeley
- Honolulu, Hawaii 96813—Evan S. Lloyd
- Los Angeles, Calif. 90012—Frank S. Schmidt
- Phoenix, Ariz. 85025—George D. Patterson, Jr.
- Portland, Oreg. 97204—Arthur G. Erickson
- Reno, Nev. 89502—Warren A. Bates
- Salt Lake City, Utah 84110—Roland V. Wise
- San Francisco, Calif. 94102—Joseph M. Cullen
- Seattle, Wash. 98121—Neal S. Warren

Director, Western Service Center, Ogden, Utah 84405—Robert H. Terry

Regional Counsel, 447 Sutter Street, San Francisco, Calif. 94018—Richard C. Schwartz

Regional Inspector, 1076 Mission Street, San Francisco, Calif. 94103—Henry A. Feltz

Historical List of Commissioners of Internal Revenue

Office of Commissioner of Internal Revenue created by Act of Congress, July 1, 1862

Name	State	From	To
George S. Boutwell	Massachusetts	July 17, 1862	Mar. 4, 1863
Joseph J. Lewis	Pennsylvania	Mar. 18, 1863	June 30, 1865
William Orton	New York	July 1, 1865	Oct. 31, 1865
Edward A. Rollins	New Hampshire	Nov. 1, 1865	Mar. 10, 1869
Columbus Delano	Ohio	Mar. 11, 1869	Oct. 31, 1870
Alfred Pleasonton	New York	Jan. 3, 1871	Aug. 8, 1871
John W. Douglass	Pennsylvania	Aug. 9, 1871	May 14, 1875
Daniel D. Pratt	Indiana	May 15, 1875	July 31, 1876
Green B. Raum	Illinois	Aug. 2, 1876	Apr. 30, 1883
Walter Evans	Kentucky	May 21, 1883	Mar. 19, 1885
Joseph S. Miller	West Virginia	Mar. 20, 1885	Mar. 20, 1889
John W. Mason	do	Mar. 21, 1889	Apr. 18, 1893
Joseph S. Miller	do	Apr. 19, 1893	Nov. 26, 1896
W. St. John Forman	Illinois	Nov. 27, 1896	Dec. 31, 1897
Nathan B. Scott	West Virginia	Jan. 1, 1898	Feb. 28, 1899
George W. Wilson	Ohio	Mar. 1, 1899	Nov. 27, 1900
John W. Yerkes	Kentucky	Dec. 20, 1900	Apr. 30, 1907
John G. Capers	South Carolina	June 5, 1907	Aug. 31, 1909
Royal E. Cabell	Virginia	Sept. 1, 1909	Apr. 27, 1913
William H. Osborn	North Carolina	Apr. 28, 1913	Sept. 25, 1917
Daniel C. Roper	South Carolina	Sept. 26, 1917	Mar. 31, 1920
William M. Williams	Alabama	Apr. 1, 1920	Apr. 11, 1921
David H. Blair	North Carolina	May 27, 1921	May 31, 1929
Robert H. Lucas	Kentucky	June 1, 1929	Aug. 15, 1930
David Burnet	Ohio	Aug. 20, 1930	May 15, 1933
Guy T. Helvering	Kansas	June 6, 1933	Oct. 8, 1943
Robert E. Hannegan	Missouri	Oct. 9, 1943	Jan. 22, 1944
Joseph D. Nunan, Jr	New York	Mar. 1, 1944	June 30, 1947
George J. Schoeneman	Rhode Island	July 1, 1947	July 31, 1951
John B. Dunlap	Texas	Aug. 1, 1951	Nov. 18, 1952
T. Coleman Andrews	Virginia	Feb. 4, 1953	Oct. 31, 1955
Russell C. Harrington	Rhode Island	Dec. 5, 1955	Sept. 30, 1958
Dana Latham	California	Nov. 5, 1958	Jan. 20, 1961
Mortimer M. Caplin	Virginia	Feb. 7, 1961	July 10, 1964
Sheldon S. Cohen	Maryland	Jan. 25, 1965	Jan. 20, 1969
Randolph W. Thrower	Georgia	Apr. 1, 1969	....

In addition, the following were Acting Commissioners during periods of time when there was no Commissioner holding the office: John W. Douglass, of Pennsylvania, from Nov. 1, 1870, to Jan. 2, 1871; Henry C. Rogers, of Pennsylvania, from May 1 to May 10, 1883, and from May 1 to June 4, 1907; John J. Knox, of Minnesota, from May 11 to May 20, 1883; Robert Williams, Jr., of Ohio, from Nov. 28 to Dec. 19, 1900; Millard F. West, of Kentucky, from Apr. 12 to May 26, 1921; H. F. Mires, of Washington, from Aug. 16 to Aug. 19, 1930; Pressly R. Baldridge, of Iowa, from May 16 to June 5, 1933; Harold N. Graves, of Illinois, from Jan. 23 to Feb. 29, 1944; John S. Graham, of North Carolina, from Nov. 19, 1952, to Jan. 19, 1953; Justin F. Winkle, of New York, from Jan. 20 to Feb. 3, 1953; O. Gordon Delk, of Virginia, from Nov. 1 to Dec. 4, 1955, and from Oct. 1 to Nov. 4, 1958; Charles I. Fox, of Utah, from Jan. 21 to Feb. 6, 1961; Bertrand M. Harding, of Texas, from July 11, 1964 to Jan. 24, 1965; and William H. Smith of Virginia, from Jan. 21 to Mar. 31, 1969.

appendix

Taxpayer Publications
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APPENDIX

Taxpayer Publications

The 1969 edition of *Your Federal Income Tax,* Publication No. 17, again contained a wealth of information needed by taxpayers when preparing returns. Among the features are a table showing how to claim additional withholding allowances on the basis of itemized deductions, information on the new income tax surcharge, the new procedures for payment of estimated tax, and instructions for treatment of interest on certain industrial development bonds. This 160-page booklet includes such taxpayer aids as a comprehensive index and a completed tax return with entries keyed through page references to explanations of the law and examples of its application to actual situations. It is revised each year to include the latest changes in the Federal tax laws, regulations, and official rulings.

Approximately 913,000 copies of the 1969 edition of *Your Federal Income Tax* were sold at 60 cents a copy by the Government Printing Office and local Internal Revenue Service offices. The Service used an additional 160,000 copies in various educational programs.

The Teaching Taxes Program, used in approximately 25,000 high schools and colleges during 1969, is based on three publications. The first is the *Teachers Guide,* Publication No. 19, which contains answers to the tax problems appearing in the student text, information on the 50 most frequent tax questions, a wall chart of individual income tax return forms, and other teaching aids. The student text, *Understanding Taxes,* is published in a 28-page general edition, Publication No. 21, and a 36-page farm edition, Publication No. 22. Both editions present illustrated step-by-step explanations of the preparation of typical income tax returns, answers to practical problems, and supplementary questions and problems. Introductory chapters discuss civic responsibility, U.S. tax history, and the Federal budget. The last eight pages of Publication No. 22 are devoted to farm tax situations. Of the 3,960,000 students who participated in the 1969 Teaching Taxes Program, 3,493,000 used the general text and 467,000 used the farm edition. A total of 84,000 Teachers Guides were distributed.

Tax Guide for U.S. Citizens Abroad, Publication No. 54, explains the conditions under which income earned abroad may be partially or fully tax exempt. It also discusses other special tax provisions that affect U.S. citizens living in foreign countries. Approximately 770,000 copies of this booklet were printed for free distribution through Internal Revenue Service offices and U.S. Embassies and consulates in all parts of the world.

The Farmer's Tax Guide, Publication No. 225, is a 64-page booklet in which the tax problems of farmers are explained in everyday terms. As in prior years, the 1969 edition features a tax calendar to remind farmers of their tax obligations throughout the year. Completed samples of an income tax return and the accompanying schedules that farmers normally use refer the reader to sections of the booklet where the various entries are explained. There are illustrations of depreciation, farm income, and expense records, and discussions of income, employment, and self-employment taxes, with examples showing how the provisions apply to specific situations. Slightly more than 1 million free copies were distributed by Internal Revenue Service offices and extension agents of the Department of Agriculture.

Tax Guide for Small Business, Publication No. 334, provides answers to many tax questions concerning sole proprietorships, partnerships, and corporations. It explains in everyday language how Federal income, excise, social security, and withholding taxes apply, and gives examples of typical situations. A checklist of activities subject to Federal taxes shows the forms to be filed and the pages on which each situation is discussed. A tax calendar for businessmen reminds readers of the actions they must take during the year to comply with the Federal tax laws. Approximately 256,000 copies of this 160-page booklet were sold during the year at 60 cents a copy by the Government Printing Office and Internal Revenue Service. Another 80,000 were printed for internal use by the Service.

Tobacco Tax Guide, publication No. 464, is a compilation of basic reference material prepared to assist manufactures of taxable tobacco products and others concerned to comply with Federal tobacco tax laws and regulations. This document may be purchased from the Government Printing Office, Washington, D.C. 20402.

Questions and Answers—Gun Control Act of 1968, publication No. 650, contains the most often requested items of information concerning the Gun Control Act of 1968. This booklet, which includes coverage and explanation of the major provisions of the act, is available from the Government Printing Office at a cost of 15 cents.

New Free Taxpayer Information Publications

Tax Information on Mutual Fund Distributions, Publication No. 564, was developed to assist the growing numbers of mutual fund shareholders. It explains and illustrates how they should treat the various types of distributions by mutual funds and contains precise information on how shareholders should report the amounts they receive.

Questions and Answers on Retirement Plans for the Self-Employed, Publication No. 566, is directed to both the tax practitioner and to the taxpayer. It provides answers to questions often asked about the rather complex provisions of the Self-Employed Individuals Tax Retirement Act of 1962. Where possible, the answers are keyed to the applicable sections of the Income Tax Regulations or to the Revenue Rulings dealing with the subject matter.

Tax Advice on Civil Service Disability Retirement Payments, Publication No. 567, provides tax assistance to former Federal employees who retired under the disability retirement provisions of the Civil Service Retirement law. It explains and illustrates the tax treatment of the retirement benefits received before these retirees attain "retirement age" (which may be wholly or partially excludable from gross income as sick pay) and the treatment of the post-retirement age payments (which generally will be reported under the "3-year rule"). The pamphlet was developed in cooperation with the U.S. Civil Service Commission and was mailed to all disability retirees.

Federal Tax Information for Civil Service Retirees, Publication No. 568, explains and illustrates the rules under which Civil Service nondisability retirees must report their retirement annuity payments. It was developed in cooperation with the U.S. Civil Service Commission, which is distributing copies to all nondisability retirees.

Questions Asked by U.S. Taxpayers Abroad, Publication No. 569, is a 12-page pamphlet that answers the questions most frequently asked by U.S. citizens and residents living abroad. Among other subjects, it covers the special filing requirements, foreign earned income exclusions, withholding tax rules, and scholarship and fellowship rules applicable to these taxpayers.

Tax Guide for U.S. Citizens Employed in U.S. Possessions, Publication No. 570, explains the special "possession-exemption" applicable to individuals who are employees or are self-employed in possessions of the United States or in the Panama Canal Zone. It discusses in detail the numerous rules and requirements for the exemption.

The following is a list of additional publications distributed free of charge:

Publication Number	*Title*
308	Farmers Gas Tax Credit
349	Federal Use Tax on Trucks, Truck-Tractors and Buses
378	Federal Gas Tax Credit or Refund for Nonhighway and Transit Users
463	Travel, Entertainment, and Gift Expenses
501	Your Exemptions and Exemptions for Dependents
502	Deduction for Medical and Dental Expenses
503	Child Care and Disabled Dependent Care
504	Income Tax Deduction for Alimony Payments
505	Tax Withholding and Declaration of Estimated Tax
506	Computing Your Tax Under the Income Averaging Method
507	Tax Information on Scholarships and Fellowships
508	Tax Information on Educational Expenses
509	Tax Calendar and Checklist for 1969
510	Information on Excise Taxes for 1969
511	Sales and Other Dispositions of Depreciable Property
512	Credit Sales by Dealers in Personal Property
513	Tax Information for Visitors to the United States
514	Foreign Tax Credit for U.S. Citizens and Resident Aliens
515	Withholding of Tax on Nonresident Aliens and Foreign Corporations
516	Tax Information for U.S. Government Civilian Employees Stationed Abroad
517	Social Security for Clergymen and Religious Workers
518	Foreign Scholars and Educational and Cultural Exchange Visitors
519	United States Tax Guide for Aliens
520	Tax Information for American Scholars Abroad
521	Moving Expenses—Tax Information for Employees and Employers
522	Adjustments to Income for Sick Pay
523	Tax Information on Selling Your Home
524	Retirement Income and Retirement Income Credit
525	Taxable Income and Nontaxable Income
526	Income Tax Deduction for Contributions
527	Rental Income and Royalty Income
528	Information on Filing Your Tax Return
529	Other "Page 2" Miscellaneous Deductions
530	Tax Information on Deductions for Homeowners
531	Reporting Your Tips for Federal Tax Purposes
532	Tax Information for Students and Parents
533	Information on Self-Employed Tax
534	Depreciation, Investment Credit, Amortization, Depletion
535	Tax Information on Business Expenses
536	Losses From Operating a Business
537	Installment and Deferred-Payment Sales
538	Tax Information on Accounting Periods and Methods
539	Withholding Taxes From Your Employee's Wages
540	Tax Information on Repairs, Replacements, and Improvements
541	Tax Information on Partnership Income and Losses
542	Corporations and the Federal Income Tax
543	Tax Information on the Sale of a Business
544	Sales and Exchanges of Assets
545	Income Tax Deduction for Interest Expense
546	Income Tax Deduction for Taxes
547	Tax Information on Disasters, Casualty Losses, and Thefts
548	Tax Information on Deduction for Bad Debts

Publication Number	
549	Condemnations of Private Property for Public Use
550	Tax Information on Investment Income and Expenses
551	Tax Information on Costs or Other Basis of Assets
552	Recordkeeping Requirements and a Guide to Tax Publications
553	Highlights of 1968 Changes in the Tax Law
554	Tax Benefits for Older Americans
555	Community Property and the Federal Income Tax
556	Appeal Rights and Claims for Refund
557	How to Apply for Exemption for an Organization
558	Tax Information for Sponsors of Contests and Sporting Events
559	Federal Tax Guide for Survivors, Executors, and Administrators
560	Retirement Plans for Self-Employed Individuals
561	Valuation of Donated Property

Tax Forms Activity

The following new forms were issued:

Form Number	*Title*
W-2 (RR)	Railroad Employee's Wage and Tax Statement
990 (SF)	Return of Organization Exempt From Income Tax Section 501(c) (other than section 501(c)(3)) of the Internal Revenue Code
990-A (SF)	Return of Organization Exempt From Income Tax Section 501(c)(3) of the Internal Revenue Code
1040-FY	Fiscal Year Surcharge Computation U.S. Individual Income Tax
Schedule B (1040-FY)	Fiscal Year—Supplemental Schedule of Income and Retirement Income Credit
1040-ES Worksheet	U.S. Individual Worksheet For Computation of Estimated Tax
1040-ES (OIO) Worksheet	U.S. Nonresident Alien Individual Worksheet for Computation of Estimated Income Tax
1040NR-FY	U.S. Nonresident Alien Individual Fiscal Year Tax Computation
1041-FY	Fiscal Year Tax Surcharge Computation (For U.S. Fiduciary Income Tax Return)
Schedule D (1041)	Gains and Losses From Sales or Exchanges of Property
Schedule E (1041)	Beneficiary's Share of Income, Deductions, and Credits
1120-FY	Corporation Fiscal Year Tax Computation Schedule
2210F	Statement Relating to Underpayment of Estimated Tax by Farmers and Fishermen
4363	Notice of Acquisition of Stock Pursuant to Conversion of an Original or New Japanese Debt Obligation
4410	Interest Equalization Tax Quarterly Return of Tax Withheld by Participating Firm
4461	Sponsor Application Approval of Master or Prototype Plan
4462	Employer Application Determination as to Qualification of Pension, Annuity, or Profit-sharing Plan and Trust
4466	Corporation Application for Quick Refund of Overpayment of Estimated Tax
4469	Computation of Overpayment of Hospital Insurance Benefits Tax

The following forms were eliminated:

Form Number	*Title*
Publication 14	Circular H—Household Employer's Social Security Tax Guide
942A	Copy—Employer's Quarterly Tax Return for Household Employees
1001A-F	Exemption or Reduced Rate Certificate
1040-ES (Amended)	Amended Declaration of Estimated Income Tax
1040A	U.S. Individual Income Tax Return
1120-ES	Declaration of Estimated Income Tax for Corporations
1120-ES (Amended)	Amended Declaration of Estimated Income Tax—Corporations
2031	Waiver Certificate to Elect Social Security Coverage for Use by Ministers, Certain Members of Religious Orders, and Christian Science Practitioners

Selected Regulations Published

Income Tax Regulations

Income tax regulations under various sections of the Internal Revenue Code were amended or added by the following Treasury Decisions:

Treasury Decision 6965, relating to depletion for certain clays and cutoff point for all minerals.

Treasury Decision 6972, relating to unemployment benefit trusts.

Treasury Decision 6981, defining when services are performed by a controlled foreign corporation for or on behalf of a related person.

Treasury Decision 6982, relating to integration of qualified plans with Social Security Act.

Treasury Decision 6984, relating to options acquired in connection with loans.

Treasury Decision 6985, relating to the medical expense deduction.

Treasury Decision 6991, relating to the deduction for interest on installment payments.

Treasury Decision 6998, relating to the allocation of income and deductions among taxpayers.

Treasury Decision 6999, relating to the definition of group-term life insurance.

Excise Tax Regulations

Treasury Decision 7011, relating to the excise tax on the use of certain highway motor vehicles.

Employment Tax Regulations

Treasury Decision 7001, relating to the treatment of tips for purposes of the social security taxes and income tax withholding.

Temporary Regulations

Treasury Decision 6994, relating to procedures applicable, in connection with the interest equalization tax, in respect of a withholding from the proceeds from a sale of foreign securities.

Alcohol and Tobacco Regulations

Treasury Decision 6963, issued July 24, 1968, made a number of liberalizing changes in the Beer Regulations. For example, it provided for the establishment of experimental breweries, eliminated restrictions on the storage of untaxpaid bottled beer, and provided an extension of time for taking monthly inventories.

Treasury Decision 7002, issued February 1, 1969, amended a number of regulations issued under chapter 51 of the Internal Revenue Code to give effect to Public Law 90-630, discussed on page 36. Pursuant thereto, payment of the tax on distilled spirits imported in bulk may now be deferred until the spirits are removed from the domestic distilled spirits plant at which they are bottled.

Treasury Decisions 7007 and 7008, both published on March 1, 1969, amended various regulations issued pursuant to chapters 51, 52, and 53 of the Code with respect to the filing of special tax returns and of claims on Form 843 relating to special taxes.

Treasury Decision 7014, issued on June 4, 1969, liberalized the requirements placed on wholesale liquor dealers as to records to be maintained and changed the basis for reports by such dealers from monthly to semiannually.

Firearms Regulations

Regulations, 26 CFR Part 178, Commerce in Firearms and Ammunition, which became effective December 16, 1968, implemented the provisions of Title I, State Firearms Control Assistance, of the Gun Control Act of 1968, and Title VII, Unlawful Possession or Receipt of Firearms, of the Omnibus Crime Control and Safe Streets Act of 1968, as amended by Title III of the Gun Control Act of 1968.

Supreme Court Decisions

Civil Cases

On January 13, 1969, the Supreme Court decided *United States* v. *Donruss Company,* 393 U.S. 297 (1969), reversing and remanding 384 F. 2d 292 (6th Cir. 1967), which involved the degree of "purpose" necessary for application of the accumulated earnings tax. The Court, in deciding the issue of whether avoidance of shareholder tax was "one" of the purposes of the accumulation, as contended by the Government, or whether avoidance must be the "dominant, controlling, or impelling" reason for the accumulation, as the Sixth Circuit held, sustained the Government's position. The Court in resolving this several-sided split among the circuits sustained a long-established administrative position.

The treatment of employer-paid scholarships was considered by the Supreme Court in *Bingler* v. *Johnson et al.,* 37 U.S.L. Week 4365 (U.S. Apr. 23, 1969). In that case a corporation granted selected employees "educational leave" and monthly stipends, ranging from 70 to 90 percent of their prior salaries plus "adders" depending on the size of their families, for the purpose of studying for doctoral degrees. To qualify for a grant, the employee had to obligate himself to return to the employer for a substantial period of time after completion of the "educational leave." The Commissioner relied on regulations section 1.117-4(c) which provides that amounts representing "compensation for past, present, or future employment services," and amounts "paid * * * to * * * an individual to enable him to pursue studies or research primarily for the benefit of the grantor," are not excludable as scholarships. However, the Third Circuit held the above referred-to regulation to be invalid and the stipends received by the employees to be scholarships excludable from income under section 117 of the 1954 Code. This created a conflict with the Fifth Circuit which had explicitly sustained the regulation. The Supreme Court overruled the Third Circuit by holding the regulations section to be valid and the stipends to be includable in income.

In *United States* v. *Skelly Oil Company,* 37 U.S.L. Week 4351 (U.S. Apr. 21, 1969), an issue of first impression and of considerable administrative importance was favorably decided for the Government by the Supreme Court. The taxpayer, a producer of natural gas, repaid to its customers overcharges for prior years due to State set rate charges having been held to be excessive. In the year of repayment the taxpayer claimed as a deduction under section 1341 of the 1954 Code the full amount of the repayment without adjustment for depletion deductions that had been taken in the years the overcharges had been included in income. The Court, in holding that the deduction for repayment be reduced by the amount of depletion deductions taken thereon in prior years, prevented the taxpayer from receiving a double benefit or windfall.

The case of *United States* v. *Estate of Joseph P. Grace, et al.,* 37 U.S.L. Week 4486 (U.S. June 2, 1969), reversing 393 F. 2d 939 (Ct. Cl. 1968), involved the application of the reciprocal trust doctrine

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for estate tax purposes. The Supreme Court held that the application of the doctrine is neither dependent upon a finding that each trust was created as a *quid pro quo* for the other; nor that the creation of the trusts was prompted by a tax-avoidance motive. The Court further held that the application of the doctrine requires only that the trusts be interrelated, and that the arrangement, to the extent of mutual value, leaves the settlors in approximately the same economic position as they would have been in had they created trusts naming themselves as life beneficiaries instead. The decision effectively overrules such cases as *McLain* v. *Jarecki,* 232 F. 2d 211 (7th Cir. 1956); *Newberry's Estate* v. *Commissioner,* 201 F. 2d 874 (3d Cir. 1953); and *In re Lueders' Estate,* 164 F. 2d 128 (3d Cir. 1947); thereby resolving the conflict of opinion in favor of the Government's position.

Certiorari was granted by the Supreme Court in two cases originating in the Tax Court and, in both, the Court vacated and remanded the decision on the issue involved to the Appellate Courts for consideration in the light of other opinions. In *Commissioner* v. *Shaw-Walker Co.,* 393 U.S. 479 (1969), at the request of the Commissioner, the case was remanded to the Sixth Circuit for further consideration in the light of the Supreme Court's reversal of a prior decision by the Sixth Circuit on the very point in issue in *United States* v. *Donruss Co.,* 393 U.S. 297 (1969). Another case was remanded to the 10th Circuit, pursuant to the taxpayer's request with the Commissioner's concurrence, for reconsideration in view of the changed legal climate in State law as the result of a State Supreme Court decision. *Collins, Jr.* v. *Commissioner,* 393 U.S. 215 (1968), vacating and remanding 388 F. 2d 353 (10th Cir. 1968), affirming 46 T. C. 461 (1966). [Subsequently, the 10th Circuit vacated its prior affirmance of the Tax Court's decision on the basis of the Oklahoma State Supreme Court's contrary determination regarding the wife's property interests under State law in a similar State tax case. *Collins* v. *Commissioner,* 412 F. 2d 211, 69-2 USTC 9471 (10th Cir. 1969) (CCH). Significantly, the 10th Circuit's recent opinion treats a husband's transfer of stock to his wife in Oklahoma, pursuant to a property settlement incident to a divorce, as a nontaxable division of property considered to be jointly owned under State law rather than a taxable transfer of property by the husband in discharge of his legal marital obligation.]

Criminal Cases

In *Taglianetti* v. *United States,* 89 S. Ct. 1099 (1969), defendant was convicted in U.S. District Court on three counts of income tax evasion. Following appeal to the First Circuit, the case was remanded to the trial court to determine whether or not, upon examination of facts relating to a disclosure by the Government that certain of defendant's business telephone conversations had been monitored as part of a general surveillance of the activities of his employer, defendant's conviction should stand or a new trial should be ordered. The conviction was upheld by the trial court, with defendant appealing the determination of that court that no evidence or leads affecting defendant's trial had been generated by electronic surveillance. The first Circuit subsequently affirmed the conviction [398 F. 2d 558 (1st Cir. 1968)]. It is noted that in the district court on remand, the Government purported to turn over to defendant all of his own conversations which had been overheard by means of unlawful electronic surveillance. Before the Supreme Court, defendant argued that he was entitled to examine additional surveillance records because neither the Government nor the district court was able to determine with certainty which conversations defendant had been a party to. In fact, the district court examined all the records *in camera* to ascertain if the Government had correctly identified defendant's voice and had turned over to defendant each conversation in which he had participated. The Supreme Court held that nothing in *Alderman* v. *United States, Ivanov* v. *United States,* or *Butenko* v. *United States,* 89 S. Ct. 961 (1969), required an adversary proceeding and full disclosure for resolution of every issue raised by an electronic surveillance. On the contrary, an adversary proceeding and disclosure were required in those cases not for lack of confidence in the integrity of Government counsel or the trial judge, but only because the *in camera* procedures at issue there would have been an inadequate means to safeguard a defendant's Fourth Amendment rights. Here the defendant was entitled to see a transcript of his own conversations and nothing else. He had no right to rummage in Government files. The trial court was asked only to identify those instances of surveillance which defendant had standing to challenge under the Fourth Amendment exclusionary rule to double-check the accuracy of the Government's voice identifications. Under the circumstances presented, the Supreme Court could not

hold that "the task is too complex, and the margin for error too great, to rely wholly on the *in camera* judgment of the trial court."

In *Alderman* v. *United States,* 89 S. Ct. 961 (1969), defendants were held entitled to inspect bugging products for themselves. After the convictions of defendants had been affirmed, and while their cases were pending before the Supreme Court, it was revealed that the United States had engaged in electronic surveillance which might have violated their Fourth Amendment rights and tainted their convictions. A remand to the district court being necessary in each case for adjudication in the first instance, the question before the Supreme Court related to the standards and procedures to be followed by the district court in determining whether any of the Government's evidence supporting these convictions was the product of illegal surveillance to which any of the defendants were entitled to object. In filing a motion to modify the order remanding the case to the district court for further proceedings, the United States urged that in order to protect innocent third parties participating or referred to in irrelevant conversations overheard by the Government, surveillance records should first be subject to *in camera* inspection by the trial judge, who would then turn over to the defendants and their counsel only those materials "arguably relevant" to their prosecution. It was the position of the Supreme Court that a defendant with standing to object to evidence gathered against him as the result of illegal electronic surveillance is his own best judge as to what portions of the overheard conversations might have contributed to evidence against him. Thus, he should be permitted to examine the record of the illegal surveillance without any prior *in camera* relevance inspection by the trial judge. Disclosure would be limited to the transcripts of a defendant's own conversations and of those which took place on his premises. The task of gleaning relevant data from the bulk of material obtained by surveillance cannot be entrusted entirely to the trial judge, the Court emphasized. "An apparently innocent phrase, a chance remark * * * or even the manner of speaking or using words may have special significance to one who knows the more intimate facts of an accused's life. And yet that information may be wholly colorless and devoid of meaning to one less well acquainted with all relevant circumstances." The Court further held that a codefendant or coconspirator whose Fourth Amendment rights were not violated by an illegal eavesdropping, but who might well be aggrieved by the introduction of damaging evidence against him obtained as a result of such eavesdropping, does not have standing to object to the use of such evidence against him. Fourth Amendment rights are personal rights which, like some other constitutional rights, may not be vicariously asserted. In an exception to this holding, the Court noted that a homeowner has standing to object to unlawfully overheard conversations on his property, regardless of whether he was present at the time of the conversations or participated in them.

The effect of the Court's 1968 decisions in the wagering tax and firearms areas (*Marchetti* v. *United States,* 390 U.S. 39, *Grosso* v. *United States,* 390 U.S. 62, and *Haynes* v. *United States,* 390 U.S. 85), in which a proper claim of constitutional privilege against self-incrimination was held to be a full defense against a criminal prosecution, on the wagering tax forfeiture area remains unsettled with the conflicting positions of the Sixth and Seventh Circuits unresolved. The Court granted the Government's petition for certiorari from the Seventh Circuit in *United States* v. *United States Coin and Currency in the Amount of $8,674.00,* (Angelini, Claimant) 393 U.S. 949 reported below at 393 F. 2d 499 (7th Cir. 1968), and the case was argued before the Court. However, by order of the Court on May 26, 1969, the case was restored to the calendar for reargument in the October term 1969. The petition for certiorari filed by the claimant in *United States* v. *One 1965 Buick* (6th Cir. 1968), 392 F. 2d 672 has not been acted on by the Court.

The Court also considered the effect of *Marchetti, Grosso,* and *Haynes* in the marihuana, firearm, and liquor areas.

On May 19, 1969, the Court decided *Leary* v. *United States,* 395 U.S. 6, and *United States* v. *Covington,* 395 U.S. 57, holding that a proper claim of the constitutional privilege against self-incrimination provides a full defense to prosecution for transporting, concealing, or obtaining marihuana without having paid the transfer tax.

However, following the decisions in *Leary* and *Covington* the Court denied certiorari in the case of *Wilson* v. *United States,* 395 U.S. 923, in which the Fifth Circuit had sustained a conviction of possession of an unregistered still. *Wilson* was admittedly prohibited under State law from carrying on the activity of distilling. He claimed Federal registration would incriminate him under State law. The Government's position was that the liquor statutes are not aimed at a "highly selective group inherently suspect of criminal activity" but rather are for the sole purpose of assuring collection of this important source of revenue.

In the firearms area in the case of *Varitinos* v. *United States*, 395 U.S. 976, the Court denied certiorari in a First Circuit case which sustained a conviction for receipt and possession of a firearm transferred in violation of 26 U.S.C. 5814, where defendant asserted a *Haynes* type plea of self-incrimination.

In a case construing the Federal officer removal statute (28 U.S.C. 1442(a)(1)), relating to removal of cases against Federal officers from State courts to Federal courts, the Court in *Willingham et al* v. *Morgan*, 395 U.S. 402, reversed the decision of the Court of Appeals for the 10th Circuit holding that the statute is not "narrow" or "limited" but "at the very least is broad enough to cover all cases where Federal officers can raise a colorable defense arising out of their duty to enforce Federal law."

Actions of Lower Courts

Civil Cases

In addition to *Collins*, discussed in Supreme Court cases, supra, the 10th Circuit rendered two other significant decisions in favor of the Commissioner. It reversed the Tax Court and held that the "tax benefit theory" applied to the gain on the sale of property held for rent by a corporation which had been expensed by the corporation at the time of purchase—resulting in its treatment as recognized ordinary income to the corporation even though said sale was made pursuant to a plan of liquidation adopted under section 337. *Commissioner* v. *Anders*, — F. 2d —, 69-2 USTC 9478 (10th Cir. 1969) (CCH), reversing 48 T.C. 815 (1967). The Court also reversed, at the Commissioner's urging, a Tax Court decision which had held that reimbursement by an employer for an employee's meals and lodging while awaiting permanent quarters at a new post of duty was not includible in the employee's gross income. *Commissioner* v. *Starr*, 399 F. 2d 675 (10th Cir. 1968), reversing 46 T.C. 743 (1966). In doing so, it rejected the Tax Court's distinction of, and followed, its prior opinion in *United States* v. *Woodall*, 255 F. 2d 370 (10th Cir. 1958) and noted that *John E. Cavanaugh*, 36 T.C. 300 (1961), on which the Tax Court had relied, had been expressly overruled in *England* v. *United States*, 345 F. 2d 414 (7th Cir. 1965), and was not followed by the Court of Claims in *Ritter* v. *United States*, 393 F. 2d 823 (Ct. Cl. 1968), cert. denied 393 U.S. 844 (1968).

The Government was similarly successful in various appellate courts in several other tax cases. In the Second Circuit, the Commissioner won a two-fold victory in one case. *Borge* v. *Commissioner* (*Danica Enterprises, Inc.* v. *Commissioner*), 405 F. 2d 673 (2d Cir. 1968), cert. denied, 395 U.S. 933 (1969). Therein, the Court considered proper the Commissioner's allocation, pursuant to section 482, of an entertainer's compensation to him individually rather than allowing it to be included in the income of his wholly owned corporation as reported. It further allowed only limited farm loss deductions to the corporation, as would have been appropriate in the individual's situation under the provision of section 270 of the Code, by applying section 269 on the theory that the latter is applicable to any situation in which a taxpayer obtains a deduction which he would not otherwise have been allowed but for the incorporation. The Commissioner's allocation under section 482 was likewise sustained in the Seventh Circuit where insurance commissions were deflected to two controlled corporations established as insurance brokers by their parent (a finance company) which performed the services of selling and servicing insurance policies for an independent insurance company. It is notable that the allocation of the commissions to the finance company was permitted despite the fact that State law forbids finance companies from receiving any income other than interest from loans. *Local Finance Corporation* v. *Commissioner*, 407 F. 2d 629 (7th Cir. 1969), affirming 48 T.C. 773 (1967). The Eighth Circuit also agreed with the Commissioner's restrictive position that stock of a farmer's cooperative, in order for it to qualify and retain its tax exemption under section 521, must be substantially owned by active producers who market their products and purchase their supplies and equipment through the association on a "current" basis. *Cooperative Grain & Supply Co.* v. *Commissioner*, 407 F. 2d 629 (8th Cir. 1969).

In addition to the foregoing, both the Third (*Childs* v. *Commissioner*, 408 F. 2d 531 (3d Cir. 1969) and Fifth (*Spillers* v. *Commisisoner*, 407 F. 2d 530 (5th Cir. 1969) Circuits reaffirmed the Commissioner's position that there must be a strict, technical adherence to a written plan, complying with the statutory provisions if a taxpayer seeks to have stock treated as section 1244 stock. In *Spillers*, the Court held corporate resolutions making no mention of the period in which the stock was to be offered and not limiting the maximum dollar amount of stock which could be offered did not qualify the stock for section 1244 purposes. It noted that the 1244 requirement must be met at the time the plan is adopted and the stock issued—and that the stock cannot qualify under a later complying plan. In *Childs*, it was held there was not a written plan where the corporate resolution recited solely the offer of a sale of stock to the taxpayer and the minutes of a shareholder's meeting recited his acceptance. *Eger* v. *Commissioner*, 393 F. 2d 243 (2d Cir. 1968), where corporate resolutions were held to be a sufficient written plan, was distinguished on the grounds that the corporate resolution there specifically referred to the stock as section 1244 stock.

The Commissioner also made substantial gains in litigation before the Sixth Circuit in several important tax controversies. In *Commissioner* v. *Wilson*, — F. 2d —, 69-2 USTC 9458 (6th Cir. 1969), the Court joined with the Fifth Circuit's rationale expressed in *Commissioner* v. *Dodd, et al.*, — F. 2d — 69-1 USTC 9362 (5th Cir. 1969), in reversing a Tax Court decision adverse to the Commissioner. The Tax Court was held to be erroneous in allowing, in years prior to the taxable years to which recently added section 217 is applicable a taxpayer a deduction for unreimbursed moving expenses incurred by an employee being transferred from one office to another by his employer.

The Sixth Circuit was also instrumental in thwarting two recently developed tax schemes. In *First National Industries Inc.* v. *Commissioner* 404 F. 2d 1182 (6th Cir. 1968) cert. denied, 394 U.S. 1014 (1969), the Court struck down a controlled corporation's utilization of a tax exempt Foundation and an elaborate transmittal of the sales proceeds scheme through several interrelated subsidiaries thereof in an attempt to avoid a capital gain tax upon the disposition of certain investment stock. It held that the disposition was, in effect, a sale to the Foundation and concluded that the "donated" stock was accepted by the Foundation subject to the taxpayer's debt (equal to the sales price of the investment stock) despite the lack of a formal assumption thereof by the Foundation. In *Commissioner* v. *Baertschi, et al.*, 412 F. 2d 494 (6th Cir. 1969), the Court held a Tax Court approved plan of keeping a transaction open, rather than closed, by providing, in the sale contract involving a residence, for a delay in the final payment and limiting the seller's legal recourse in the event of default solely to the property itself rather than to the purchaser individually, was to no avail since the transaction was closed at the date the purchaser could have obtained possession. A contrary holding would have rendered meaningless the 18-month statutory limitation for replacement of a former residence by a newly constructed residence under the nonrecognition provisions of section 1034.

Lastly, further litigation is expected with regard to two companion cases decided by the Ninth Circuit: *Estate of Stauffer* v. *Commissioner*, 403 F. 2d 611 (9th Cir. 1968) and *Associated Machine* v. *Commissioner*, 403 F. 2d 622 (9th Cir. 1968) and an adverse decision by the Sixth Circuit (*Commissioner* v. *Turner, et al.*, 410 F. 2d 952 (6th Cir. 1969). In *Stauffer* and *Associated Machine*, the Ninth Circuit, contrary to the Commissioner's position that an "F" reorganization under section 368 was only applicable to the reorganization of a single corporation, held that a multi-corporation reorganization could, and did, qualify as a "F"; and, in *Turner*, the Sixth Circuit held there was a net gift of the value of given stock less the gift tax where a mother transferred her stock to her children with the condition that the latter pay the gift tax on the transfer. The Commissioner had contended in that case that there was a sale of the stock to the extent the gift tax exceeded her basis although it was a gift to the extent the stock's fair market value exceeded the gift tax.

In a case involving labeling of wine under the Federal Alcohol Administration Act (27 U.S.C. 205) *Miller* v. *Kennedy et al.*, unreported (D.C. District of Columbia) the Court held that the Secretary or his delegate was authorized to distinguish for labeling purposes between artificially carbonated wine and naturally fermented sparkling wine. Naturally fermented sparkling wine is taxed under the Internal Revenue Code of 1954 at a higher rate than artificially carbonated wine.

The Third Division of the Customs Court in *Schieffelin & Co. et al.* v. *United States*, unreported, held that the Irish and British treaties with the United States providing for nondiscriminatory tax treatment were not violated by taxing bottled imported distilled spirits under section 5001(a)(1) of the Internal Revenue Code of 1954 on a "wine gallon" basis. Previous decisions of the Court of Customs and Patent Appeals had held the same provisions not to violate the General Agreement on Tariff and Trade. The Customs Court also held in the case that *Schieffelin* was not required to show compliance with section 6423 of the Internal Revenue Code of 1954 (relating to proof of bearing the ultimate burden of the tax) as a condition precedent to the bringing of the action in the Customs Court.

The case of *In re Hancock Trucking, Incorporated*, 407 F. 2d 635 (7th Cir. 1969) involves a reorganization proceeding under chapter X of the

Bankruptcy Act. The amended plan of reorganization in this case provided that tax claimants, including the United States would receive payment of their claims in full, 10 percent in cash within 6 months from confirmation and the balance in 78 equal monthly installments. The Government objected to the plan since it provided for payment of general creditors prior to full payment to the United States, which is contrary to the provisions of section 3466 of the Revised Statutes. Also, it was asserted that section 199 establishes a first priority in payment for claims of the United States for taxes and that the priority thus conferred is superior to all other claims against the estate, even to existing and perfected liens which might otherwise be prior. It was maintained a plan cannot be confirmed and reorganization can be prevented unless payment in full is provided for, except upon the acceptance of a lesser amount by the Secretary of the Treasury certified to the court. Notwithstanding the timely notice of rejection, the district court judge stated that for equitable reasons he was approving the amended plan. The district court was affirmed by the Court of Appeals for the Seventh Circuit.

The thrust of the Seventh Circuit's opinion is that section 199 does not require prompt full payment of the tax claim and that R.S. 3466 does not apply to chapter X cases. This is in conflict with the Fifth Circuit which has held that R.S. 3466 applies to nontax matters in chapter X proceedings and is also in conflict with the Third Circuit which has held that R.S. 3466 applies to tax claims in these proceedings.

In *Washington* v. *United States,* 402 F. 2d 3 (4th Cir. 1968) the facts are as follows: Revenue agents obtained a search warrant and raided the taxpayer's farm and there discovered the taxpayer conducting a gambling operation. Evidence seized during the raid was used to compute a wagering tax. In the district court the taxpayer conceded that the search warrant was properly issued and executed and admitted that he was liable for the wagering tax. The district court sustained the assessment (with a slight reduction) and ordered that the taxpayer's farm be sold at public auction; the proceeds of the sale to be used first to satisfy a mortgage lien, second to pay the present value of the wife's contingent dower interest, and third to satisfy the tax lien. (The issue of liability for fraud penalty or delinquency penalty was present in the district court case but was later abandoned by the Government on appeal.)

On appeal the taxpayer contended: (1) that his liability for the wagering tax was extinguished by the Supreme Court 1968 decisions in *Marchetti* and *Grosso,* supra; (2) that the evidence supporting the tax assessment was illegally obtained because it was seized in a raid which was unlawful because it "was acquired under circumstances which the highest Court has now declared to be in violation of fundamental constitutional rights;" and (3) that the trial court had no right to sell the taxpayer's farm property free of his wife's contingent dower interest.

The Fourth Circuit held for the Government on each of the three issues. It stated that the *Grosso* and *Marchetti* decisions did not invalidate the wagering tax and did not invalidate the search warrant used to obtain the evidence of the wagering tax liability and further that the wife's inchoate dower interest is subject to termination by the sale of the taxpayer's property pursuant to the order of the district court under section 7403(c), 1954 Code. The taxpayer's petition for certiorari, filed on December 13, 1968, is pending.

The Court of Appeals for the Ninth Circuit in *Stonehill* v. *United States,* 405 F. 2d 738 (9th Cir. 1968), cert. denied June 16, 1969, affirmed the district court which had denied taxpayers' motion to suppress certain records and documents obtained by U.S. revenue agents from the Philippine National Bureau of Investigation (NBI). This motion to suppress was filed in the foreclosure action commenced by the Government in 1965 to enforce Federal tax liens. The records and documents obtained from the NBI had been seized by it in raids on the taxpayers' premises in 1962. Some of the records were seized in raids on the taxpayers' residences and subsequently such raids were held to be illegal searches and seizures in violation of the Philippine Constitution by the Supreme Court of the Philippines. The taxpayers in their motion to suppress argued that the use of such evidence in the foreclosure action in the Federal district court would be in violation of the Fourth Amendment to the U.S. Constitution. The district court denied the motion to suppress based on its findings that there was no instigation or unlawful participation by the U.S. Government agents in the raids conducted by the Philippine officials.

In *Pizzarello* v. *United States,* 408 F. 2d 579 (2d Cir. 1969), the Second Circuit reversed a district court order dismissing for lack of jurisdiction taxpayer's suit to enjoin collection of a jeopardy assessment for wagering excise taxes. Applying the test of *Enochs* v. *Williams Packing Co.,* 370 U.S. 1 (1962), the court of appeals concluded that the Government could not ultimately prevail on the merits for two reasons. First, the court held that there was insufficient factual foundation in the record to support the method by which the tax liability was computed, thereby rendering the assessment excessive and arbitrary. Secondly, the court found that the assessment was based upon records obtained during an illegal search and seizure of the taxpayer's business premises, and held that an assessment based entirely or in substantial part on illegally obtained evidence is invalid. The Second Circuit did not determine whether equity jurisdiction otherwise exists in this case. However, the court indicated that the taxpayer's argument, that his legal remedy was inadequate because his burden of proof in a refund action created a conflict between his privilege against self-incrimination and his right to contest the seizure of his property, was sufficiently meritorious to warrant a conclusion that collection activity may, in fact, result in irreparable injury to him. The court remanded the case for a complete hearing to develop the facts.

The Court of Appeals in *Bauer* v. *Foley,* 404 F. 2d 1215 (2d Cir. 1968) held that where the taxpayer alleges forgery or duress in signing a joint return she is entitled to a hearing on the merits in an injunction suit to enjoin the Government from seizing or selling her property. The district court had denied the taxpayer's motion for an injunction and granted the Government's motion to dismiss. The district court had found that the taxpayers had not established that under no circumstances could the Government ultimately prevail so as to remove the prohibition against injunctive relief under section 7421(a) of the 1954 Code. The Second Circuit reversed the district court and remanded the case for a hearing on the merits of whether the signature of the taxpayer was forged on any of the returns in question or whether she signed the returns under duress. Thus, the court was of the opinion that it was complying with the test of *Enochs* v. *Williams Packing Co.,* 370 U.S. 1 (1962) since it held that if the returns were forged or signed under duress she could not possibly be liable for the tax.

The court also held that the taxpayers under a joint assessment are each entitled to a separate notice and demand. Since a separate notice was not given, the court held the lien was invalid. On rehearing at the request of the Government, the Second Circuit limited its opinion requiring separate notice and demand to the situation where the signature on a joint return is forged or signed under duress. *Bauer* v. *Foley,* 408 F. 2d 1331 (2d Cir. 1969).

The Sixth Circuit in *United States* v. *Estate of Donnelly,* 406 F. 2d 1065 (6th Cir. 1969) affirmed, per curiam, without opinion the decision of the district court. The lower court had held that in 1950 the Internal Revenue Service was required to file a notice of lien against real property with the Register of Deeds of the State notwithstanding the Michigan requirement of a description of the real property which was later held invalid by the Supreme Court in *United States* v. *Union Central Life Insurance Company,* 368 U.S. 291 (1961). The district court reasoned that *Union Central* was pro-pective only and that the Service must first attempt to file with the Register of Deeds before filing with the clerk of the district court even though the State has not validly designated an office for filing notices of Federal tax lien. On May 10, 1969, the United States filed a petition for writ of certiorari.

In the case of *Gefen* v. *United States,* 400 F. 2d 476 (5th Cir. 1968), cert. Denied 393 U.S. 1119 (1969), the Fifth Circuit, in deciding the case, recognized that in civil actions by the Government to enforce or recover Federal taxes, it has been held that the taxpayer is entitled as a matter of right under the Seventh Amendment to a jury trial with respect to his personal liability for taxes, penalties, and interest, but not with respect to the establishment of tax liens against the taxpayer's property or the sale of the property to satisfy such liens. This case involved a situation where suit was instituted in the United States District Court to reduce the assessment against the taxpayer to judgment and to foreclose the Federal tax lien against his property. The taxpayer demanded a jury trial. The district court denied that request and ultimately entered judgment in favor of the United States, which was affirmed by the court of appeals.

A number of decisions involving the enforcement of civil summonses were rendered by the various Circuit Courts of Appeals. Some of these decisions are worthy of comment here. As regards one important issue, the Fifth Circuit consolidated four appeals for briefing and argument and in one opinion, *Roberts* v. *United States,* 397 F. 2d 968 (5th Cir. 1968), held that the Service is required to pay witness and mileage fees to taxpayers and third-party witnesses who have been summoned to appear and testify before Service agents pursuant to summons issued under section 7602 of the 1954 Code. Enforcement proceedings had been instituted by the Government seeking compliance with summonses issued against two taxpayers whose tax liabilities were under investigation and against two others as witnesses. In each case, the persons summoned objected to the summons and refused to appear asserting nonpayment of witness or mileage fees or the guarantee or assurance of payment. The Government asserted that neither a witness nor taxpayer is entitled to the fees since there is no statute authorizing such payment. The trial court ordered the witnesses to comply with the summonses and held that upon compliance the witnesses were to receive a fee pursuant to § 503(b), Title 5, United States Code. The trial court also found that neither taxpayer whose tax liability was under investigation was entitled to fees and ordered compliance without payment of the fees by the Government.

The Government conceded that 5 U.S.C., section 503(b)(2) does not make a distinction between taxpayers and third-party witnesses but asserted that section 503(b)(2) is inapplicable since that section provides that a "witness is entitled to the fees and allowances allowed by statute for witnesses in the courts of the United States when— * * * (2) he is subpoenaed to and appears at a hearing * * *." It was contended that the word "hearing" has generally been interpreted to mean proceedings which are adjudicatory or quasijudical in nature whereas summons proceedings are investigatory or inquisitorial. The court rejected this contention and held the word applies to any sort of proceeding at which testimony is taken.

In another summons case, *United States* v. *Benford, Fred T. Mackey (Intervenor)*, 046 F. 2d 1192 (7th Cir. 1969), the Seventh Circut reversed the order denying the taxpayer's motion to intervene in a third-party summons enforcement proceeding calling for the production of corporate records. The district court had denied intervention on the grounds that the taxpayer had shown no proprietary or other special interest in the records sought and that his being the taxpayer whose liability was under scrutiny was not, by itself, a sufficient basis for intervention. The Seventh Circuit concluded, that the Supreme Court's opinion in *Reisman* v. *Caplin,* 375 U.S. 440 (1964), did not expressly or impliedly limit the taxpayer's right to intervene in enforcement proceedings to situations where a legally protected interest in the records could be shown.

Also, in the case of *United States* v. *Bank of Commerce, Arthur Meister (Intervenor)*, 405 F. 2d 931 (3d Cir. 1969), the Third Circuit held that pursuant to *Reisman* v. *Caplin,* 375 U.S. 440 (1964) that the taxpayer had standing to intervene and raise objections to enforcement of summonses served upon a bank calling for production of certain of the bank's records relating to transactions with the taxpayer. The taxpayer had alleged that the information which brought the Service's attention to the bank records was the product of an unlawful search and seizure; that such information was thereby "tainted" and, therefore, the bank records were also "tainted" and their production should not be compelled. The court of appeals vacated the district court's order granting the Government's petition for enforcement and remanded the matter for a hearing and determination of the taxpayer's Fourth Amendment claim (relating to the tainted information) to assure that the court's process would not be abused if enforcement of the summons is granted.

In *Howfield, Inc.* v. *United States,* 429 F. 2d 624 (9th Cir. 1969), the Ninth Circuit decided jurisdictional issues raised in two related cases consolidated on appeal. Shortly after the taxpayer instituted an action for return of illegally seized property and its suppression as evidence, the Government returned the documents in question, and all copies, and moved to dismiss the action for failure to state a claim on which relief could be granted. The district court granted the motion, holding that a preindictment action which seeks solely suppressive relief is premature. The Ninth Circuit approved the dismissal of the action as premature and held that the dismissal order was not appealable. Simultaneously with the taxpayer's suppression action, the Government had filed a petition to enforce the summonses issued to the taxpayer for its corporate records, including documents which were the subject of the suppression action. After dismissal of the suppression action, the taxpayer counterclaimed in the enforcement proceeding for injunctive relief and to have section 7602 of the 1954 Code declared unconstitutional by a three-judge district court. The court of appeals affirmed the district court order dismissing the counterclaim and denying the application for a three-judge district court on the ground that there was no basis for equitable relief since the taxpayer had an adequate remedy at law by defending against the summons enforcement petition. It may be noted that the district court decided the summons enforcement proceeding on the merits in favor of the Government, finding no illegality in the Service's investigatory activity in this case. An appeal to the Ninth Circuit from the order enforcing the summonses is presently pending.

Further, in *United States* v. *Zakutansky,* 401 F. 2d 68 (7th Cir. 1968), cert. denied 393 U.S. 1021 (1969), the Seventh Circuit affirmed an order directing an accountant to produce workpapers he used in preparing the taxpayer's returns. After two summonses were issued to the accountant and prior to service of a third summons, the accountant transferred physical possession of the workpapers to the taxpayer. A summons was then issued to the taxpayer who refused to comply, claiming ownership of the workpapers and asserting his privilege against self-incrimination. In a proceeding to enforce the summonses the court examined the workpapers *in camera* and found that they were accountant's workpapers and were the property of the accountant. The district court further found that the taxpayer did not acquire "rightful possession" of the workpapers from the accountant because both knew that the accountant was under a "moral, if not legal, obligation" to deliver them to the Government, and therefore rejected the taxpayer's claim of the privilege against self-incrimination.

The issue of proper tax classification of lawyers in *United States* v. *Empey,* 406 F. 2d 157 (10th Cir. 1969), and doctors in *United States* v. *O'Neill,* 69–1 USTC 9372 (6th Cir. 1969), and *United States* v. *Kurzner,* 69–1 USTC 9428 (5th Cir. 1969), under the laws of Colorado, Ohio and Florida, respectively, was decided in favor of the taxpayers. The Government's arguments that these organizations were properly classified as partnerships, rather than corporations, were rejected, and regulations section 301.7701–2, as amended by T.D. 6797 on February 2, 1965, and more particularly subparagraph (h) of the regulations, was held to be invalid. The resolution of this issue may affect professionals throughout the country.

Pending before the Court of Claims in *Litton Industries, Inc.* v. *United States,* Ct. Cls. No. 14–69, is the issue of whether the taxpayer, upon repurchase of its own convertible debentures at a premium, is entitled to deduct as premium expense the portion of the premium attributable to the value of the privilege to convert the debentures into shares of its own common stock. While this issue is also present in other pending cases, its appearance in *Litton* presents by far the most dramatic example in view of the magnitude of the amount involved and the percentage of the premium to the face value of the debentures.

The Fifth Circuit in *Unitel States* v. *W. M. Webb, Inc., et al.,* 402 F. 2d 956 (5th Cir. 1968), decided adversely to the Government the issue of whether menhaden fishermen are employees of the boat owners for purposes of the employment taxes. The Government has been litigating the issue of whether shrimp fishermen were employees of the boat owners for a number of years, within the jurisdiction of the Fifth Circuit, with only several successes in the district courts and no success in the Court of Appeals for the Fifth Circuit. However, the Court of Claims and the First Circuit have decided fishing boat cases for the Government. Since the fishing industry is carried on along the entire coastline of the United States, resolution of the issue is of considerable administrative importance. This case is presently pending before the Supreme Court.

The expenditures of the survivor corporation of a reorganization in appraising the value of dissenting shareholders' stock in the merged corporation were held to be currently deductible by the Seventh Circuit in *Hilton Hotels Corporation* v. *United States,* 69–1 USTC 9336 (7th Cir. 1969). The Court rejected the Government's argument that the expenses were incident to a corporate reorganization and were capital in nature and therefore nondeductible capital outlays. This decision created a conflict among the circuits. The filing of a petition for a writ of certiorari has been recently authorized by the Solicitor General.

A petition for a writ of certiorari has been filed by the Government in the case of *United States* v. *Davis,* 408 F. 2d 1139 (6th Cir. 1969). The Court rejected the strict net effect test in determining whether a corporate distribution to the taxpayer in redemption of preferred stock was essentially equivalent to a dividend within the meaning of section 302(b)(1) of the 1954 Code. The Government contended that, since there is a pro rate distribution with the taxpayer ending up in substantially the same position after the redemption as he would have occupied had a dividend been declared, the distribution constitutes payment of a dividend. The Sixth Circuit applied the flexible net effect test and carried over the purpose for the issuance of stock as a valid business purpose for redemption, thus conflicting with *Ballenger* v. *United States,* 301 F. 2d 192 (4th Cir. 1962), and *Berenbaum* v. *Commissioner,* 369 F. 2d 337 (10th Cir. 1966).

Two important circuit court decisions were rendered in the life insurance area. In both *Franklin Life Insurance Co.* v. *United States,* 399 F. 2d 757 (7th Cir. 1968), certiorari denied 393 U.S. 1118 (1969), and *Jefferson Standard Life Insurance Co.* v. *United States,* 408 F. 2d 842 (4th Cir. 1969), petition for certiorari pending, the Courts held that (1) in computing taxable investment income, deferred and uncollected premiums and due and unpaid premiums, including the "loading" related to such premiums, are includable in the assets of a life insurance company under section 805(b)(4) of the 1954 Code and (2) "loading" on deferred and uncollected premimus is not deductible in computing gain or loss from operations under section 809 of the 1954 Code. These Circuit Court decisions upholding the Government's position are significant since they involve important interpretations of the Life Insurance Company Tax Act of 1959.

Criminal Cases

The lower courts declined to extend the self-incrimination defense, established in *Marchetti, Grosso,* and *Haynes* discussed in Supreme Court Cases, supra, with respect to wagering and firearms into the liquor tax area.

In *Schoeffit* v. *United States,* 403 F. 2d 991 (5th Cir. 1968) the court held that the defendant could not raise the self-incrimination issue with respect to charges relating to possession of unstamped containers since he was not required to pay the tax or affix the stamps. In other cases relating to possession of unregistered stills and carrying on the business of a distiller without having registered and given bond the self-incrimination issue was squarely raised but the courts declined to allow the defense. The courts took the position that, unlike the statutes relating to wagering and firearms, the liquor taxes were not aimed at a group inherently suspect of criminal activity but rather were solely for the purpose of assuring collection of the revenue. *Anderson et al.* v. *United States,* 403 F. 2d 207 (5th Cir. 1968); *Wilson* v. *United States,* 409 F. 2d 604 (5th Cir. 1969) certiorari denied 395 U.S. 923; *Williams* v. *United States,* 297 F. Supp. 103 (Eastern District, N.C. 1969).

The *Haynes* decision has continued to have a serious impact on prosecutions arising under the National Firearms Act prior to the amendment of such act by the Gun Control Act of 1968. There have so far been no adverse decisions involving the self-incrimination issue under the amended act. Persons charged with failure to comply with the making and transfer provisions of the act (prior to amendment) successfully raised the self-incrimination plea as a bar to prosecution. *DePugh* v. *United* States, 401 F. 2d 346 (8th Cir. 1968); *Lauchli* v. *United States,* 402 F. 2d 455 (8th Cir. 1968). However, efforts by defendants charged with possessing unlawfully made firearms to plead self-incrimination were unsuccessful. *Reed* v. *United States,* 401 F. 2d 756 (8th Cir. 1968); *Mower* v. *United States,* 402 F. 2d 982 (8th Cir. 1968); and *Lewis* v. *United States,* 408 F. 2d 1210 (10th Cir. 1969). The courts held in these cases that the transferee was under no statutory requirement which would incriminate him. Also in *Varitimos* v. *United States,* 404 F. 2d 1030 (1st Cir. 1969, certiorari denied 395 U.S. 976, conviction of a transferee of possession of a firearm transferred in violation of 26 U.S.C. 5814 was sustained.

The Courts of Appeal in the Seventh Circuit and the Fourth Circuit handed down conflicting decisions regarding the retroactivity of the *Haynes* case. In *United States* v. *Miller,* 406 F. 2d 1100 (4th Cir. 1969) the Fourth Circuit gave retroactive effect to *Haynes* by allowing defendants to withdraw guilty pleas and plead the privilege against self-incrimination, while the Seventh Circuit in *Gillespie* v. *United States,* 409 F. 2d 511 (7th Cir. 1969) denied a petition to vacate sentence based on a plea of guilty for possession of an unregistered firearm.

The inspection of a retail liquor dealer's premises pursuant to statutory authorization without a search warrant was upheld by the Second Circuit in *United States* v. *Colonnade Catering Corporation,* 410 F. 2d 197 (2d Cir. 1969). The district court had granted a motion to suppress the evidence stating that under the holding of the Supreme Court in *Camera* v. *Municipal Court,* 389 U.S. 523 (1967) and *See* v. *Seattle,* 389 U.S. 541 (1967) a search warrant was required. The circuit court stated that the specific and limited authority under the statute made a warrant unnecessary. The defendant in this case has filed a petition for certiorari.

The great weight of judicial authority continues to hold that absent "custodial interrogation" as defined in *Miranda* v. *Arizona,* 384 U.S. 436, 444 (1966), agents of the Internal Revenue Service are not required to advise a taxpayer under investigation as to his Sixth Amendment right to counsel. Accordingly, and aside from the issue of misrepresentation, fraud or coercion, where one is legally free to reject the Government's invitation to appear and participate in an interview, is free to walk out of an interview at any time, is free to ask investigating agents to leave his premises, is not physically in custody through arrest or otherwise, and whose freedom of action is in no sense curtailed, the requirements enunciated in *Escobedo* v. *Illinois,* 378 U.S. 478 (1964) and *Miranda,* supra, do not apply. The Fifth, Eighth and 10th Circuits have now joined the so-far unanimous parade of circuits which have embraced this position. *Agoranos* v. *United States,* 69–1 USTC 9316 (5th Cir. 1969); *United States* v. *Jernigan,* 411 F. 2d 471 (5th Cir. 1969); *Cohen* v. *United States,* 405 F. 2d 34 (8th Cir. 1968), cert. den. 89 S. Ct. 1274 (1969); *Muse* v. *United States,* 405 F. 2d 40 (8th Cir. 1968), certiorari denied (1969); *Ping* v. *United States,* 407 F. 2d 157 (8th Cir. 1969); *Hensley* v. *United States,* 406 F. 2d 481 (10th Cir. 1968). Only the Third and District of Columbia Circuits have yet to rule upon this issue. Other recent decisions holding that Internal Revenue Service agents, who solicit information from a taxpayer under investigation, need not give the *Mirando-Escobedo* warnings unless the interview amounts to "custodial interrogation" are: *United States* v. *Mackiewicz,* 401 F. 2d 219 (2d Cir. 1968), certiorari denied 393 U.S. 923; *United States* v. *Bagdasian,* 398 F. 2d 971 (4th Cir. 1968); *Taglianetti* v. *United States,* 398 F. 2d 558 (1st Cir. 1968), affirmed per curiam on other grounds 89 S. Ct. 1099 (1969); *United States* v. *Squeri,* 398 F. 2d 785 (2d Cir. 1968); *United States* v. *Marcus,* 401 F. 2d 563 (2d Cir. 1968), certiorari denied 89 S. Ct. 633 (1969); *Spahr et al.* v. *United States,* 69–1 USTC 9315 (9th Cir. 1969); *United States* v. *White,* 293 F. Supp. 692 (E.D. Pa. 1968); *United States* v. *Charamella,* 294 F. Supp. 280 (D. Del. 1968); and *United States* v. *Cymbala,* 69–2 USTC 9457 (E.D. N.Y. 1969).

The Solicitor General authorized an appeal to the Seventh Circuit under Title VIII of the Omnibus Crime Control Act of 1968 in the cases of *United States* v. *Dickerson,* 291 F. Supp. 633 (N.D. Ill. 1968); and *United States* v. *Lackey,* — F. Supp. — (N.D. Ind. 1968). Motions to suppress had been granted in each instance for failure on the part of the special agent to give the *Miranda* warning. See also *United States* v. *Habig,* — F. Supp. — (S.D. Ind. 1968), which is similarly on appeal to the Seventh Circuit.

In a case involving an assault upon a Federal officer, *United States* v. *Rybicki,* 403 F. 2d 599 (6th Cir. 1968), defendant was convicted under 26 U.S.C. 7212(a) of obstructing, by threats of force, two officers of the Internal Revenue Service who were then engaged in the performance of their duties, seeking to collect from him income tax owed by him to the United States. The Sixth Circuit reversed and remanded the case for a new trial, holding that the failure of the district judge to instruct the jury that a necessary element of the crime was the knowledge on defendant's part that the persons he obstructed were Government agents engaged in their official duties was prejudicial error. As the court noted, all the recent cases have held that scienter—i.e., knowledge of the official character of the Federal employee—is not an essential element of the crime of assault under 18 U.S.C. 111. See, for example, *Burke* v. *United States,* 400 F. 2d 866 (5th Cir. 1968), certiorari denied 37 LW 3449 (1969). However, the Sixth Circuit distinguished these cases from the instant situation on the ground that the offenses there involved would have been crimes regardless of the person against whom they were committed. Here, if the Federal agents had not been acting in their official capacities, defendant would have had the right to threaten and use reasonable force to prevent the "theft" of his property. Thus, defendant's actions were criminal only because he threatened Federal officers acting in an official capacity.

Racetrack winners lost at a tax fraud scheme in *United States* v. *Haimowitz,* 404 F. 2d 38 (2d Cir. 1968), as the use of straw men to cash in winning tickets constituted fraud. Section 7206(2) of the Internal Revenue Code [26 U.S.C. 7206(2)] in substance makes it an offense to aid, assist in, or procure the preparation or presentation of fraudulent or false information in connection with material matters required to be reported under the Internal Revenue laws. The essence of the charges against the defendants was that they conspired to deprive the Government of material information concerning their parimutuel twin double winnings at certain raceways by paying other individuals to cash their winning tickets, thus preventing their own names and the amounts of their winnings from appearing on Internal Revenue Service information return, Form 1099, which is filed by the racetrack pursuant to 26 U.S.C. 6041(a). Defendants' main contention appeared to be that because the persons to whom the proceeds of the winning tickets were paid gave their correct names and addresses to the racetrack, the Government was in no way defrauded or deprived of information it was entitled to receive. This argument, however, misconstrued the thrust of the charges against defendants and the purpose of sections 6041 and 7206(2). It is indisputable that section 6041 is intended to help the Government locate and check upon recipients of income and amounts they receive. The evidence at the trial showed that defendants were in fact the winners and true recipients of the payments made by the racetracks and that their scheme of causing the track to record another person as the winner was calculated to defeat the Government in its tax collection. In these circumstances it was clear that the Government had been defrauded within the meaning of section 7206(2). To the extent that *United States* v. *Blumberg,* 258 F. Supp. 885 (D. Del. 1966), cited by defendants, was inconsistent with this opinion, the Second Circuit specifically disagreed with it. See also *United States* v. *Green,* 69–2 USTC 9469 (S.D. N.Y. 1969).

The number of circuit courts which have adopted the American Law Institute's Model Penal Code test for determining criminal responsibility has increased to six, with the addition of the Fifth and

Sixth Circuits. *Blake* v. *United States,* 407 F. 2d 908 (5th Cir. 1969); *United States* v. *Smith,* 404 F. 2d 720 (6th Cir. 1968). Section 4.01 of the American Law Institute's Model Penal Code provides in part as follows: "(1) A person is not responsible for criminal conduct if at the time of such conduct as a result of mental disease or defect he lacks substantial capacity either to appreciate the criminality (wrongfulness) of his conduct or to conform his conduct to the requirements of law. (2) * * *."

The relationship between the right to consult with counsel as guaranteed by the Sixth Amendment and a psychiatrist's examination confronted the Second Circuit in *United States* v. *Driscoll,* 399 F. 2d 135 (2d Cir. 1968). Error was found in the admission of a psychiatrist's testimony concerning a court ordered examination, pursuant to section 4244 of the Criminal Code, to determine a defendant's competence to stand trial for willfully failing to file income tax returns. The court pointed out that the examination was ordered to determine the competence question only, but that the psychiatrist was allowed to offer his opinion at trial that the defendant was legally sane at the time of the alleged offenses. Only if, the court decided, a defendant is given notice of the use to which such an examination may be put, and is afforded the right to consult with counsel prior to the time of the examination, may such testimony be introduced at trial.

In the area of electronic eavesdropping, three circuit courts have held that *Katz* v. *United States,* 389 U.S. 347 (1967), has no application to evidence obtained from a conversation between defendant and an informer that the authorities were able to record by means of an electronic device concealed on the person of or carried by the informer. *Holt* v. *United States,* 404 F. 2d 914 (10th Cir. 1968), certiorari denied 89 S. Ct. 872 (1969); *United States* v. *Kaufer,* 406 F. 2d 550 (2d Cir. 1969), affirmed 89 S. Ct. 1223 [attempted bribery of IRS agent]; *Koran* v. *United States,* 4 CrL 2401 (5th Cir. 1969). This position is premised on the concept that the risk a person takes in confiding in a potential informer is far different from the risk that an unknown third party will intercept and record a conversation without the knowledge of any of the participants, as had occurred in *Katz,* supra. The Seventh Circuit (reaffirming en banc) has ruled contrary to the foregoing in the belief that *Katz,* supra, has drained *On Lee* v. *United States,* 343 U.S. 747 (1952), of its vitality by doing away with the Fourth Amendment trespass doctrine. *United States* v. *White,* 405 F. 2d 838 (7th Cir. 1969), certiorari granted 37 LW 3379.

It is further worthy of note that the Second and Fifth Circuits in *Kaufer* and *Koran,* supra, have perpetuated the propriety of monitoring telephone conversations with the consent of one party. In citing *Rathbun* v. *United States,* 355 U.S. 107 (1957), the Second Circuit held that Kaufer's claim that his Fourth Amendment rights were violated when an Internal Revenue Service agent listened on an extension telephone to his conversation with another agent was without merit. Particularly pertinent was the court's observation that "the logic of the *Rathbun* case, that 'each party to a telephone conversation takes the risk that the other party may have an extension telephone and may allow another to overhear the conversation,' 355 U.S. at 111, is in no way undermined by the decision in *Katz,* where a conversation was overheard with the use of electronic attachments and without the consent of either of the parties."

Action on wagering tax judicial forfeiture cases pending in the lower courts has generally been suspended awaiting resolution by the Supreme Court of the conflicting opinions of the Sixth Circuit and the Seventh Circuit in the light of *Grosso* and *Marchetti.* The Supreme Court has granted certiorari in *Angelini* which held that such forfeitures were barred and the petition for certiorari filed in *One 1965 Buick* which held that such forfeitures are not barred, is pending before the Court.

The question as to the status of property administratively forfeited by reason of involvement in wagering tax violations has also been raised. The Sixth Circuit in *United States* v. *Filing,* 410 F. 2d 459 (6th Cir. 1969) held that the district court did not have jurisdiction to order the return of property which had been administratively forfeited in accordance with statutory procedures. The court held that Congress had provided an adequate remedy in 26 U.S.C., section 7325, and that a person who did not timely seek a judicial determination in lieu of administrative action could not thereafter judicially challenge the administrative forfeiture.

Statistics of Income Reports Published

Individual Income Tax Returns, 1966 (248 pp., $2.50).

Individual Income Tax Returns, 1967, Preliminary (29 pp., 30¢).

Zip Code Area Data for Individual Income Tax Returns, 1966, Supplemental Report (96 pp., $1).

U.S. Business Tax Returns, 1965 (391 pp., $4).

U.S. Business Tax Returns, 1966, Preliminary (27 pp., 25¢).

Corporation Income Tax Returns, 1964 (394 pp., $3).

Corporation Income Tax Returns, 1965 (354 pp., $3.25).

Corporation Income Tax Returns, 1966, Preliminary (33 pp., 35¢).

Statistical Tables

Notes:
All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1969" pertain to the fiscal year ended June 30, 1969, and "July 1" inventory items under this heading reflect inventories as of July 1, 1968.

In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

Internal revenue districts are listed in this section by the names of headquarters cities. Each district is identical with the boundaries of the State in which the headquarters city is located except for the States recapitulated at the bottom of tables 1, 5, 6, and 14. A map of the districts appears on page 69.

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Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas

[In thousands of dollars. See table 3, p. 106, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Total internal revenue collections (1)	Corporation income tax [2] (2)	Individual income and employment taxes: Total (3)	Income tax not withheld and self-employment tax [3, 4] (4)	Income tax withheld and old-age and disability insurance [3, 4] (5)	Railroad retirement (6)	Unemployment insurance (7)
United States, total		**187,919,560**	**38,337,646**	**130,509,602**	**28,972,781**	**99,977,566**	**938,684**	**640,030**
North-Atlantic Region		**44,199,655**	**12,301,213**	**29,062,739**	**6,046,785**	**22,788,742**	**77,569**	**149,643**
Albany	(See (c) below)	2,080,788	474,852	1,562,446	204,900	1,346,369	3,701	7,476
Augusta	(Maine)	470,368	74,815	376,397	101,524	268,745	4,119	2,008
Boston	(Massachusetts)	5,455,432	1,112,743	3,947,538	907,211	3,015,516	5,463	19,348
Brooklyn	(See (c) below)	3,790,844	441,740	3,139,947	1,071,489	2,043,968	10,209	14,281
Buffalo	(See (c) below)	3,472,148	861,820	2,421,213	502,735	1,905,490	205	12,784
Burlington	(Vermont)	211,581	28,587	173,896	49,181	122,732	1,173	811
Hartford	(Connecticut)	3,478,040	647,935	2,567,422	707,361	1,839,909	8,871	11,282
Manhattan	(See (c) below)	23,901,501	8,421,315	13,826,203	2,281,833	11,424,472	43,774	76,123
Portsmouth	(New Hampshire)	447,652	61,280	371,424	89,064	280,369	36	1,955
Providence	(Rhode Island)	891,300	176,626	676,253	131,486	541,172	20	3,576
Mid-Atlantic Region		**27,353,917**	**4,641,670**	**19,925,387**	**4,021,727**	**15,471,652**	**339,481**	**92,527**
Baltimore	(Maryland and D.C.)	5,425,303	482,234	4,469,642	673,024	3,681,866	101,645	13,107
Newark	(New Jersey)	6,670,012	1,488,791	4,592,178	1,163,908	3,398,085	5,998	24,186
Philadelphia	(See (e) below)	6,904,564	1,050,891	5,175,438	1,086,142	3,914,557	149,590	25,149
Pittsburgh	(See (e) below)	4,206,360	615,884	3,165,100	529,015	2,605,596	12,647	17,841
Richmond	(Virginia)	2,829,085	375,405	1,875,128	448,291	1,348,171	69,594	9,071
Wilmington	(Delaware)	1,318,593	628,466	647,901	121,347	523,376	7	3,172
Southeast Region		**15,089,370**	**2,662,875**	**10,465,328**	**2,876,503**	**7,505,216**	**22,988**	**60,621**
Atlanta	(Georgia)	2,614,752	523,505	1,905,283	428,497	1,463,765	2,141	10,880
Birmingham	(Alabama)	1,332,600	182,487	1,040,059	250,108	775,431	8,431	6,089
Columbia	(South Carolina)	963,069	152,199	779,207	175,865	598,352	138	4,853
Greensboro	(North Carolina)	4,065,617	838,722	1,962,712	430,177	1,517,563	1,626	13,348
Jackson	(Mississippi)	619,559	82,108	491,877	156,160	332,348	478	2,891
Jacksonville	(Florida)	3,625,642	537,910	2,843,741	1,036,898	1,784,704	8,315	13,825
Nashville	(Tennessee)	1,868,132	345,945	1,442,448	398,799	1,033,053	1,859	8,737
Central Region		**32,859,646**	**7,267,304**	**20,103,952**	**3,537,050**	**16,411,275**	**62,060**	**93,566**
Cincinnati	(See (d) below)	4,896,053	903,082	3,728,605	567,670	3,146,553	1,175	13,207
Cleveland	(See (d) below)	7,511,008	1,504,342	5,180,953	808,931	4,324,493	23,994	23,535
Detroit	(Michigan)	13,871,733	3,827,232	7,374,120	1,136,141	6,188,811	12,192	36,976
Indianapolis	(Indiana)	3,409,729	665,021	2,278,272	593,637	1,671,588	1,637	11,411
Louisville	(Kentucky)	2,540,985	285,142	1,028,917	290,639	709,550	23,010	5,717
Parkersburg	(West Virginia)	630,138	82,484	513,084	140,032	370,280	52	2,720
Midwest Region		**28,512,887**	**5,821,822**	**20,405,578**	**4,255,283**	**15,766,333**	**281,934**	**102,028**
Aberdeen	(South Dakota)	218,784	23,150	185,509	68,313	116,385	2	809
Chicago	(See (b) below)	12,214,886	2,719,490	8,652,365	1,613,345	6,864,768	128,940	45,313
Des Moines	(Iowa)	1,442,209	247,358	1,135,983	379,397	751,074	576	4,935
Fargo	(North Dakota)	201,842	15,420	178,406	66,545	111,064	35	762
Milwaukee	(Wisconsin)	3,353,665	706,275	2,364,031	492,621	1,858,785	556	12,070
Omaha	(Nebraska)	1,031,806	140,853	796,211	213,402	536,392	43,135	3,282
St. Louis	(Missouri)	4,782,760	928,354	3,414,345	650,700	2,692,264	54,008	17,373
St. Paul	(Minnesota)	3,195,740	680,461	2,340,676	414,440	1,862,377	52,345	11,513
Springfield	(See (b) below)	2,071,194	360,460	1,338,052	356,520	973,224	2,336	5,972
Southwest Region		**15,447,293**	**2,120,607**	**11,585,599**	**3,076,674**	**8,380,342**	**75,167**	**53,415**
Albuquerque	(New Mexico)	367,906	29,081	321,954	82,108	238,503	10	1,334
Austin	(See (f) below)	4,169,520	564,651	2,811,063	811,591	1,982,108	3,184	14,180
Cheyenne	(Wyoming)	145,500	10,373	119,260	47,104	71,652	5	499
Dallas	(See (f) below)	3,446,011	615,396	2,633,309	751,207	1,856,781	11,874	13,447
Denver	(Colorado)	2,243,358	180,445	1,877,808	266,651	1,598,508	7,770	4,879
Little Rock	(Arkansas)	651,771	85,231	524,277	163,130	357,845	311	2,992
New Orleans	(Louisiana)	1,639,895	251,329	1,290,950	364,703	918,715	998	6,535
Oklahoma City	(Oklahoma)	1,598,241	206,790	1,055,728	284,219	765,955	88	5,465
Wichita	(Kansas)	1,185,089	177,311	951,249	305,962	590,276	50,928	4,083
Western Region		**23,351,066**	**3,113,841**	**18,397,771**	**4,304,960**	**13,928,858**	**79,413**	**84,539**
Anchorage	(Alaska)	132,056	8,224	121,455	21,036	99,933	(*)	466
Boise	(Idaho)	379,633	58,137	311,516	72,033	237,378	399	1,706
Helena	(Montana)	273,162	31,024	226,600	80,813	144,643	217	927
Honolulu	(Hawaii)	526,624	81,138	412,746	91,363	319,565	11	1,807
Los Angeles	(See (a) below)	9,460,433	1,362,308	7,456,431	1,759,178	5,659,344	1,695	36,214
Phoenix	(Arizona)	717,348	68,338	620,008	191,324	425,727	133	2,825
Portland	(Oregon)	1,288,326	209,564	1,028,997	262,078	757,599	3,993	5,327
Reno	(Nevada)	351,415	46,104	284,523	95,283	187,875	2	1,363
Salt Lake City	(Utah)	434,735	53,898	361,097	83,219	275,157	963	1,758
San Francisco	(See (a) below)	7,317,012	878,392	5,594,411	1,177,851	4,322,609	71,426	22,526
Seattle	(Washington)	2,472,322	316,714	1,979,987	470,783	1,499,029	574	9,601
Office of International Operations		**684,077**	**34,648**	**547,038**	**97,969**	**443,533**	**1,844**	**3,692**
Puerto Rico		218,622	253	133,336	9,638	120,121		3,577
Other		465,455	34,395	413,702	88,331	323,412	1,844	115
Undistributed:								
Federal tax deposits and depositary receipts [6]		465,731	348,697	86,722		88,496	−1,774	
Gasoline, lubricating oil, and excess FICA credits [7]		780,798	24,969	755,829	755,829			
Transferred to Government of Guam		−9,304		−9,304		−9,304		
Withheld taxes of Federal employees		−817,576		−817,576		−817,576		
Totals for States not shown above								
	(a) California	16,777,444	2,240,700	13,050,842	2,937,029	9,981,953	73,121	58,739
	(b) Illinois	14,286,081	3,079,949	9,990,417	1,969,864	7,837,992	131,276	51,284
	(c) New York	33,245,281	10,199,726	20,949,809	4,060,958	16,720,299	57,889	110,664
	(d) Ohio	12,407,061	2,407,424	8,909,558	1,376,601	7,471,046	25,169	36,743
	(e) Pennsylvania	11,110,924	1,666,775	8,340,538	1,615,157	6,520,153	162,237	42,991
	(f) Texas	7,615,532	1,180,047	5,444,372	1,562,798	3,838,889	15,058	27,627

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 106, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Estate tax (8)	Gift tax (9)	Excise taxes, total (sum of columns 11, 26, 30, 31, 37, 38, and 50) (10)	Alcohol taxes: Total (11)	Distilled spirits taxes: Total (12)	Imported (collected by Customs) (13)	Domestic [8] (14)	Rectification [9] (15)	Occupational [9] (16)	Other [10] (17)
United States, total		**3,136,691**	**393,373**	**15,542,787**	**4,554,153**	**3,389,786**	**831,601**	**2,504,152**	**39,421**	**13,466**	**1,147**
North-Atlantic Region		**779,387**	**119,855**	**1,936,462**	**626,159**	**473,005**	**274,777**	**193,301**	**2,076**	**2,754**	**97**
Albany	(See (c) below)	21,573	2,076	19,841	12,281	239		(*)		238	1
Augusta	(Maine)	10,729	839	7,590	2,263	2,056		1,994	31	31	(*)
Boston	(Massachusetts)	105,664	14,614	275,374	177,213	162,669	91,460	69,879	774	549	7
Brooklyn	(See (c) below)	104,981	8,948	95,229	69,029	5,941		5,316	59	562	3
Buffalo	(See (c) below)	93,196	9,712	86,209	38,416	508		(*)		501	7
Burlington	(Vermont)	6,697	669	1,732	81	33				33	(*)
Hartford	(Connecticut)	106,917	19,242	136,524	67,978	64,366		63,698	279	317	72
Manhattan	(See (c) below)	295,570	60,786	1,297,627	247,939	236,859	183,317	52,195	929	412	6
Portsmouth	(New Hampshire)	11,716	760	2,473	278	250		219	4	27	
Providence	(Rhode Island)	22,344	2,211	13,865	10,681	83				83	(*)
Mid-Atlantic Region		**472,467**	**60,210**	**2,254,182**	**739,735**	**544,387**	**79,961**	**449,062**	**12,783**	**2,209**	**372**
Baltimore	(Maryland and D.C.)	74,248	5,871	393,308	294,452	260,785	79,961	176,620	3,822	371	10
Newark	(New Jersey)	141,636	13,643	433,764	232,196	135,576		133,151	1,763	650	13
Philadelphia	(See (e) below)	124,804	8,687	544,744	134,941	96,223		89,676	5,650	613	283
Pittsburgh	(See (e) below)	51,649	15,126	358,601	70,720	46,895		44,834	1,547	480	33
Richmond	(Virginia)	52,110	4,432	522,010	7,380	4,865		4,782	1	57	24
Wilmington	(Delaware)	28,021	12,450	1,754	46	44				36	8
Southeast Region		**299,018**	**33,749**	**1,628,400**	**94,491**	**60,872**	**29,904**	**29,772**	**77**	**679**	**440**
Atlanta	(Georgia)	44,561	5,610	135,792	10,880	6,043		5,668	37	117	221
Birmingham	(Alabama)	15,454	1,790	92,810	1,818	1,630	1,525	33		46	26
Colombia	(South Carolina)	9,892	2,195	19,576	694	127		23		60	44
Greensboro	(North Carolina)	68,222	9,576	1,186,385	402	130		26		26	79
Jackson	(Mississippi)	9,891	931	34,752	247	106		32		53	21
Jacksonville	(Florida)	117,728	10,489	115,774	59,408	31,923	28,379	3,168	36	326	15
Nashville	(Tennessee)	33,269	3,158	43,311	21,041	20,913		20,822	5	52	34
Central Region		**329,519**	**45,282**	**5,113,590**	**1,493,935**	**1,375,296**	**243,254**	**1,119,122**	**10,722**	**2,098**	**101**
Cincinnati	(See (d) below)	62,831	11,926	189,608	159,773	130,633		128,894	1,429	309	2
Cleveland	(See (d) below)	82,856	17,578	725,278	119,933	103,784	97,472	5,690	82	531	9
Detroit	(Michigan)	95,389	8,853	2,566,138	236,887	199,056	145,782	51,971	526	741	36
Indianapolis	(Indiana)	48,806	4,620	413,009	337,194	313,691		306,638	6,705	345	4
Louisville	(Kentucky)	23,148	1,375	1,202,403	635,295	623,583		621,473	1,974	127	9
Parkersburg	(West Virginia)	16,488	929	17,153	4,854	4,548		4,456	6	45	40
Midwest Region		**416,658**	**52,416**	**1,816,412**	**797,523**	**469,054**	**71,862**	**389,957**	**4,498**	**2,732**	**5**
Aberdeen	(South Dakota)	3,651	124	6,349	88	54				54	
Chicago	(See (b) below)	161,731	21,302	659,999	167,520	152,072	53,345	97,468	492	765	2
Des Moines	(Iowa)	29,696	1,548	27,624	471	170				169	(*)
Fargo	(North Dakota)	3,297	167	4,551	104	93	33	(*)		60	
Milwaukee	(Wisconsin)	48,070	5,686	229,602	150,760	5,000	3,101	1,237	7	654	1
Omaha	(Nebraska)	21,596	3,138	70,008	7,646	108		(*)		108	(*)
St. Louis	(Missouri)	67,729	8,278	364,054	127,333	34,203	9,931	23,476	361	441	1
St. Paul	(Minnesota)	42,758	10,776	121,068	50,252	12,204	5,452	6,185	372	195	(*)
Springfield	(See (b) below)	38,129	1,397	333,157	293,349	265,144		261,590	3,267	286	1
Southwest Region		**299,522**	**34,776**	**1,406,789**	**185,452**	**45,867**	**28,999**	**15,839**	**5**	**928**	**97**
Albuquerque	(New Mexico)	8,620	990	7,260	245	242		175	(*)	66	(*)
Austin	(See (f) below)	78,092	13,150	702,565	65,835	20,378	16,908	3,311		132	26
Cheyenne	(Wyoming)	3,670	296	11,901	36	30				30	(*)
Dallas	(See (f) below)	79,936	9,874	107,496	20,951	220		91		90	39
Denver	(Colorado)	27,482	2,746	154,877	52,750	142		(*)		142	(*)
Little Rock	(Arkansas)	13,329	1,055	27,878	1,155	58		3	(*)	50	5
New Orleans	(Louisiana)	28,420	2,102	67,093	41,564	23,084	12,091	10,660	4	318	11
Oklahoma City	(Oklahoma)	31,830	1,971	301,921	1,185	65		7		43	14
Wichita	(Kansas)	28,142	2,591	25,796	1,732	1,649		1,591		58	1
Western Region		**525,259**	**46,399**	**1,269,796**	**542,913**	**347,401**	**102,843**	**234,550**	**7,095**	**2,066**	**37**
Anchorage	(Alaska)	284	9	2,084	108	106	89			17	
Boise	(Idaho)	4,847	483	4,651	53	24				24	
Helena	(Montana)	11,536	664	3,338	1,038	760	2	667	39	52	
Honolulu	(Hawaii)	17,980	2,180	12,582	5,301	2,669	2,509	118	1	40	(*)
Los Angeles	(See (a) below)	231,738	19,452	390,503	145,857	90,604	40,028	48,618	1,184	758	16
Phoenix	(Arizona)	20,755	2,503	5,743	1,926	146	21			125	(*)
Portland	(Oregon)	14,450	2,204	33,111	10,911	5,654	1,969	3,626	1	57	1
Reno	(Nevada)	9,704	863	10,221	84	79				74	5
Salt Lake City	(Utah)	4,548	531	14,662	34	7				7	
San Francisco	(See (a) below)	172,227	11,575	660,407	310,074	223,694	37,481	178,895	6,573	743	1
Seattle	(Washington)	37,190	5,937	132,495	67,527	23,659	20,744	2,627	105	170	14
Office of International Operations		**14,861**	**686**	**86,844**	**73,944**	**73,904**		**72,548**	**1,356**		
Puerto Rico		153	107	84,773	73,944	73,904		72,548	1,356		
Other		14,709	579	2,071							
Undistributed:											
Federal tax deposits and depositary receipts [6]				30,312							
Gasoline, lubricating oil, and excess FICA credits [7]											
Transferred to Government of Guam											
Withheld taxes of Federal employees											
Totals for States not shown above											
	(a) California	403,965	31,027	1,050,910	455,931	314,298	77,509	227,513	7,757	1,501	17
	(b) Illinois	199,859	22,698	993,157	460,869	417,215	53,345	359,058	3,759	1,050	3
	(c) New York	515,320	81,521	1,498,904	367,665	243,547	183,317	57,512	988	1,713	18
	(d) Ohio	145,687	29,504	914,886	279,706	234,418	97,472	134,584	1,511	840	11
	(e) Pennsylvania	176,452	23,814	903,345	205,602	143,118		134,510	7,197	1,034	317
	(f) Texas	158,028	23,024	810,061	86,786	20,598	16,903	3,403		222	65

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 106, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Alcohol taxes—Continued: Wines, cordials, etc., taxes: Total (18)	Imported (collected by Customs) (19)	Domestic (20)	Occupational taxes[11] (21)	Beer taxes: Total (22)	Imported (collected by Customs) (23)	Domestic[4] (24)	Occupational taxes[12] (25)
United States, total		**157,222**	**19,769**	**134,816**	**2,638**	**1,007,144**	**6,203**	**996,948**	**3,994**
North-Atlantic Region		**33,207**	**8,410**	**24,705**	**91**	**119,947**	**3,198**	**116,003**	**747**
Albany	(See (c) below)	417		410	7	11,625		11,550	75
Augusta	(Maine)	152		152	(*)	55		(*)	55
Boston	(Massachusetts)	1,836	1,350	463	24	12,708	824	11,874	9
Brooklyn	(See (c) below)	3,799		3,794	6	59,289		59,062	227
Buffalo	(See (c) below)	15,587		15,585	2	22,321		22,207	113
Burlington	(Vermont)	42			42	6			6
Hartford	(Connecticut)	2,846		2,845	1	766		714	52
Manhattan	(See (c) below)	8,526	7,061	1,456	9	2,554	2,373	(*)	180
Portsmouth	(New Hampshire)	(*)			(*)	28		(*)	28
Providence	(Rhode Island)	1		(*)	1	10,597		10,595	2
Mid-Atlantic Region		**16,249**	**2,152**	**13,953**	**143**	**179,099**	**353**	**178,409**	**338**
Baltimore	(Maryland and D.C.)	2,535	2,152	371	12	31,133	353	30,732	48
Newark	(New Jersey)	9,825		9,823	2	86,794		86,774	20
Philadelphia	(See (e) below)	2,402		2,401	1	36,316		36,204	113
Pittsburgh	(See (e) below)	1		(*)	1	23,824		23,750	75
Richmond	(Virginia)	1,484		1,358	126	1,031		950	81
Wilmington	(Delaware)	1			1	1			1
Southeast Region		**4,138**	**1,088**	**2,271**	**780**	**29,480**	**309**	**28,368**	**803**
Atlanta	(Georgia)	915		841	74	3,922		3,856	66
Birmingham	(Alabama)	66	63	(*)	3	122	30		91
Columbia	(South Carolina)	468		342	126	100			100
Greensboro	(North Carolina)	153		3	150	119		(*)	119
Jackson	(Mississippi)	3			3	138			138
Jacksonville	(Florida)	2,532	1,025	1,084	423	24,953	279	24,512	163
Nashville	(Tennessee)	2			2	126			126
Central Region		**6,762**	**2,134**	**3,892**	**736**	**111,877**	**699**	**110,916**	**262**
Cincinnati	(See (d) below)	1,208		1,049	159	27,932		27,911	21
Cleveland	(See (d) below)	1,780	971	569	241	14,369	32	14,312	25
Detroit	(Michigan)	2,914	1,163	1,544	207	34,916	668	34,232	17
Indianapolis	(Indiana)	119			119	23,383		23,346	37
Louisville	(Kentucky)	732		731	1	10,979		10,919	61
Parkersburg	(West Virginia)	9		(*)	9	298		197	101
Midwest Region		**8,717**	**2,137**	**6,558**	**22**	**319,753**	**342**	**318,780**	**631**
Aberdeen	(South Dakota)					33			33
Chicago	(See (b) below)	5,886	1,427	4,458	1	9,562	235	9,297	30
Des Moines	(Iowa)	82		67	15	219		109	110
Fargo	(North Dakota)	(*)	(*)			10	(*)		10
Milwaukee	(Wisconsin)	277	239	35	2	145,483	97	145,274	111
Omaha	(Nebraska)	59		59		7,479		7,447	32
St. Louis	(Missouri)	1,973	175	1,797	1	91,152	4	91,040	107
St. Paul	(Minnesota)	436	295	140	1	37,612	5	37,430	177
Springfield	(See (b) below)	3		1	2	28,202		28,182	20
Southwest Region		**5,752**	**628**	**4,823**	**341**	**133,793**	**217**	**132,729**	**846**
Albuquerque	(New Mexico)	1		1	(*)	2			2
Austin	(See (f) below)	2,897	429	2,212	257	42,559	150	42,019	391
Cheyenne	(Wyoming)	(*)			(*)	6			6
Dallas	(See (f) below)	759		698	61	19,972		19,890	82
Denver	(Colorado)	55		53	2	52,553		52,519	34
Little Rock	(Arkansas)	468		452	16	629		587	42
New Orleans	(Louisiana)	1,562	199	1,361	2	16,917	67	16,757	93
Oklahoma City	(Oklahoma)	49		46	3	1,071		958	114
Wichita	(Kansas)	1			1	82			82
Western Region		**82,353**	**3,220**	**78,609**	**525**	**113,159**	**1,085**	**111,707**	**367**
Anchorage	(Alaska)	1	(*)		(*)	2	1		1
Boise	(Idaho)	(*)			(*)	29			29
Helena	(Montana)	35	(*)	35	(*)	243	1	229	14
Honolulu	(Hawaii)	307	71	228	7	2,325	85	2,239	1
Los Angeles	(See (a) below)	11,298	2,241	9,002	56	43,955	581	43,244	129
Phoenix	(Arizona)	31	1	(*)	30	1,749	1	1,739	10
Portland	(Oregon)	884	42	760	82	4,373	18	4,326	30
Reno	(Nevada)	1			1	4			4
Salt Lake City	(Utah)	(*)			(*)	27			27
San Francisco	(See (a) below)	67,122	725	66,112	285	19,259	362	18,798	99
Seattle	(Washington)	2,674	140	2,472	63	41,193	37	41,133	24
Office of International Operations		**5**		**5**		**35**		**35**	
Puerto Rico		5		5		35		35	
Other									
Undistributed:									
Federal tax deposits and depositary receipts[6]									
Gasoline, lubricating oil, and excess FICA credits[7]									
Transferred to Government of Guam									
Withheld taxes of Federal employees									
Totals for States not shown above									
(a) California		78,420	2,966	75,114	341	63,214	943	62,042	228
(b) Illinois		5,889	1,427	4,459	3	37,764	235	37,479	50
(c) New York		28,329	7,061	21,245	23	95,789	2,373	92,819	596
(d) Ohio		2,987	971	1,617	400	42,301	32	42,223	46
(e) Pennsylvania		2,403		2,401	2	60,141		59,954	187
(f) Texas		3,656	429	2,910	318	62,532	150	61,908	473

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 106, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shownat bottom of table)		Tobacco taxes: Total (26)	Cigarettes[8] (27)	Cigars[8] (28)	Other[8 13] (29)	Total stamp taxes on documents and other instruments[14] (30)
United States, total		**2,137,875**	**2,082,106**	**54,434**	**1,336**	**1,455**
North-Atlantic Region		**958**	**112**	**392**	**454**	**254**
Albany	(See (c) below)	17	(*)	17		1
Augusta	(Maine)	38	(*)	37		−25
Boston	(Massachusetts)	39	(*)	2	36	20
Brooklyn	(Sec (c) below)	7	(*)	6	1	4
Buffalo	(See (c) below)	(*)		(*)	(*)	37
Burlington	(Vermont)					1
Hartford	(Connecticut)	229		229	(*)	16
Manhattan	(See (c) below)	628	111	100	417	177
Portsmouth	(New Hampshire)	(*)		(*)		22
Providence	(Rhode Island)	(*)		(*)		(*)
Mid-Atlantic Region		**501,443**	**476,412**	**24,983**	**48**	**47**
Baltimore	(Maryland and D.C.)	26			26	1
Newark	(New Jersey)	34	(*)	11	22	11
Philadelphia	(See (e) below)	23,028	5	23,023		8
Pittsburgh	(See (e) below)	529		529		18
Richmond	(Virginia)	477,826	476,406	1,420		10
Wilmington	(Delaware)					(*)
Southeast Region		**1,148,315**	**1,131,478**	**16,144**	**693**	**186**
Atlanta	(Georgia)	923		923		8
Birmingham	(Alabama)	1,928	(*)	1,928	(*)	31
Columbia	(South Carolina)	2,184	(*)	2,184		2
Greensboro	(North Carolina)	1,131,877	1,131,312	51	514	99
Jackson	(Mississippi)					20
Jacksonville	(Florida)	11,266	166	11,054	46	19
Nashville	(Tennessee)	136		3	133	8
Central Region		**478,261**	**474,091**	**4,164**	**6**	**−10**
Cincinnati	(See (d) below)	115		115	(*)	−38
Cleveland	(See (d) below)	774		773	1	1
Detroit	(Michigan)	6		2	4	10
Indianapolis	(Indiana)	737		737		4
Louisville	(Kentucky)	476,396	474,091	2,305	(*)	7
Parkersburg	(West Virginia)	233		233		6
Midwest Region						**327**
Aberdeen	(South Dakota)	11	(*)	10	1	7
Chicago	(See (b) below)	5	(*)	4	1	165
Des Moines	(Iowa)					28
Fargo	(North Dakota)	(*)			(*)	2
Wilwaukee	(Wisconsin)	6		6	(*)	4
Omaha	(Nebraska)				(*)	2
St. Louis	(Missouri)	1		1	(*)	97
St. Paul	(Minnesota)	(*)		(*)	(*)	20
Springfield	(See (b) below)					1
Southwest Region		**159**	**5**	**73**	**80**	**370**
Albuquerque	(New Mexico)					2
Austin	(See (f) below)	150	1	69	79	58
Cheyenne	(Wyoming)					4
Dallas	(See (f) below)					37
Denver	(Colorado)					2
Little Rock	(Arkansas)	(*)			(*)	3
New Orleans	(Louisiana)	9	4	4	1	15
Oklahoma City	(Oklahoma)					245
Wichita	(Kansas)	(*)	(*)			4
Western Region		**376**	**8**	**315**	**54**	**281**
Anchorage	(Alaska)	(*)			(*)	31
Boise	(Idaho)					2
Helena	(Montana)	(*)			(*)	1
Honolulu	(Hawaii)	8	(*)		8	7
Los Angeles	(See (a) below)	162	1	136	25	179
Phoenix	(Arizona)	(*)	(*)		(*)	23
Portland	(Oregon)	(*)	(*)		(*)	5
Reno	(Nevada)	(*)		(*)		(*)
Salt Lake City	(Utah)	(*)			(*)	1
San Francisco	(See (a) below)	78	6	52	19	27
Seattle	(Washington)	128	(*)	126	1	5
Office of International Operations		**8,352**		**8,352**	(*)	
Puerto Rico		8,352		8,352	(*)	
Other						
Undistributed:						
Federal tax deposits and depositary receipts[6]						
Gasoline, lubricating oil, and excess FICA credits[7]						
Transferred to Government of Guam						
Withheld taxes of Federal employees						
Totals for States not shown above						
(a) California		240	7	189	44	206
(b) Illinois		5	(*)	4	1	166
(c) New York		652	112	123	418	220
(d) Ohio		889		887	1	−37
(e) Pennsylvania		23,557	5	23,552		26
(f) Texas		150	1	69	79	96

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 105, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Manufacturers' excise taxes: Total	Gasoline	Lubricating oil, etc.	Tires (wholly or in part of rubber), inner tubes, and tread rubber	Motor vehicles, chassis, bodies, parts, and accessories	Other [15]	Total retailers excise taxes [16]
		(31)	(32)	(33)	(34)	(35)	(36)	(37)
United States, total		**6,501,146**	**3,186,239**	**97,476**	**631,527**	**2,534,647**	**51,257**	**36**
North-Atlantic Region		**743,624**	**544,416**	**15,221**	**130,351**	**22,055**	**31,561**	**10**
Albany	(See (c) below)	3,689	2,419	19	41	1,205	4	(*)
Augusta	(Maine)	3,153	2,818	(*)	238	93	5	(*)
Boston	(Massachusetts)	20,042	16,988	142	364	996	1,552	−4
Brooklyn	(See (c) below)	12,777	3,552	80	5,898	3,116	131	20
Buffalo	(See (c) below)	27,182	14,089	85	10,787	1,143	1,078	−6
Burlington	(Vermont)	723	556	(*)	30	17	120	...
Hartford	(Connecticut)	60,679	6,713	5	35,755	1,737	16,469	−1
Manhattan	(See (c) below)	611,985	494,808	14,889	76,750	13,454	12,084	−2
Portsmouth	(New Hampshire)	973	748	(*)	154	44	27	...
Providence	(Rhode Island)	2,420	1,745	(*)	334	249	93	−1
Mid-Atlantic Region		**739,339**	**545,226**	**16,258**	**50,328**	**124,834**	**2,494**	**8**
Baltimore	(Maryland and D.C.)	55,897	18,599	774	34,940	927	657	(*)
Newark	(New Jersey)	130,840	32,847	2,443	1,765	93,351	434	5
Philadelphia	(See (e) below)	285,111	243,062	5,576	11,121	24,495	856	3
Pittsburgh	(See (e) below)	258,316	243,545	7,423	2,218	5,074	56	(*)
Richmond	(Virginia)	7,867	6,132	41	284	919	490	(*)
Wilmington	(Delaware)	1,109	1,040	1	...	67	1	(*)
Southeast Region		**96,384**	**74,682**	**890**	**7,123**	**11,368**	**2,321**	**−12**
Atlanta	(Georgia)	17,780	13,555	75	1,627	2,332	190	−7
Birmingham	(Alabama)	11,187	6,096	193	1,658	3,129	112	(*)
Columbia	(South Carolina)	10,814	10,028	140	141	205	300	(*)
Greensboro	(North Carolina)	27,725	24,572	82	1,514	1,510	46	−1
Jackson	(Mississippi)	6,603	4,149	7	1,797	604	45	−2
Jacksonville	(Florida)	11,229	7,669	326	227	1,558	1,448	−1
Nashville	(Tennessee)	11,047	8,613	66	158	2,029	180	−1
Central Region		**2,893,429**	**256,100**	**16,940**	**414,640**	**2,203,671**	**2,078**	**2**
Cincinnati	(See (d) below)	15,101	8,460	36	5,092	1,447	65	(*)
Cleveland	(See (d) below)	563,139	100,528	13,283	410,110	38,140	1,078	4
Detroit	(Michigan)	2,194,302	38,959	465	−1,015	2,155,170	722	(*)
Indianapolis	(Indiana)	33,459	25,326	431	100	7,407	196	−3
Louisville	(Kentucky)	85,553	81,283	2,725	168	1,364	14	(*)
Parkersburg	(West Virginia)	1,875	1,542	1	185	143	3	(*)
Midwest Region		**557,804**	**447,337**	**9,076**	**5,207**	**89,324**	**6,860**	**19**
Aberdeen	(South Dakota)	4,071	3,900	2	3	162	3	...
Chicago	(See (b) below)	334,418	255,559	6,340	2,575	68,215	1,729	25
Des Moines	(Iowa)	16,168	11,970	115	633	3,022	427	...
Fargo	(North Dakota)	2,593	1,454	24	14	1,100	1	...
Milwaukee	(Wisconsin)	49,088	39,362	159	172	8,851	545	...
Omaha	(Nebraska)	5,989	5,373	205	(*)	370	42	...
St. Louis	(Missouri)	72,665	66,012	1,261	1,558	3,759	74	−3
St. Paul	(Minnesota)	46,147	39,236	894	260	1,879	3,878	−3
Springfield	(See (b) below)	26,664	24,472	75	−9	1,965	161	...
Southwest Region		**1,076,833**	**1,014,547**	**28,847**	**19,737**	**12,971**	**709**	**11**
Albuquerque	(New Mexico)	5,102	5,028	2	37	23	12	...
Austin	(See (f) below)	605,101	581,143	17,786	4,919	1,139	114	10
Cheyenne	(Wyoming)	9,531	9,693	−181	(*)	6	13	...
Dallas	(See (f) below)	52,706	43,562	527	3,295	5,429	−108	(*)
Denver	(Colorado)	27,316	14,302	54	11,221	1,655	84	...
Little Rock	(Arkansas)	20,931	19,950	85	29	423	444	(*)
New Orleans	(Louisiana)	9,942	8,031	1,068	99	693	51	(*)
Oklahoma City	(Oklahoma)	329,539	317,112	9,157	93	3,092	86	(*)
Wichita	(Kansas)	16,643	15,726	349	44	511	13	1
Western Region		**393,741**	**303,903**	**10,244**	**4,137**	**70,364**	**5,093**	[illegible]
Anchorage	(Alaska)	24	6	...	(*)	6	12	...
Boise	(Idaho)	1,958	1,456	...	63	119	320	...
Helena	(Montana)	377	292	(*)	38	33	14	...
Honolulu	(Hawaii)	1,089	48	...	−17	1,048	10	(*)
Los Angeles	(See (a) below)	172,757	142,966	4,471	2,058	21,807	1,455	−3
Phoenix	(Arizona)	345	88	...	80	159	17	(*)
Portland	(Oregon)	14,504	938	7	298	13,173	88	...
Reno	(Nevada)	669	587	...	18	63	1	1
Salt Lake City	(Utah)	5,917	2,735	(*)	109	267	2,806	−1
San Francisco	(See (a) below)	171,532	147,912	5,752	1,327	16,393	149	−1
Seattle	(Washington)	24,563	6,875	14	162	17,297	222	2
Office of International Operations		**214**	**9**	...	**5**	**60**	**140**	...
Puerto Rico		...	...	...	...	...	...	...
Other		214	9	...	5	60	140	...
Undistributed:								
Federal tax deposits and depositary receipts [6]		...	...	...	...	...	...	...
Gasoline, lubricating oil, and excess FICA credits [7]		...	...	...	...	...	...	...
Transferred to Government of Guam		...	...	...	...	...	...	...
Withheld taxes of Federal employees		...	...	...	...	...	...	...
Totals for States not shown above								
(a) California		344,289	290,877	10,223	3,385	38,200	1,604	−4
(b) Illinois		361,082	280,031	6,415	2,566	70,180	1,890	52
(c) New York		655,633	514,868	15,074	93,476	18,919	13,297	15
(d) Ohio		578,240	108,989	13,319	415,202	39,587	1,143	4
(e) Pennsylvania		543,427	486,607	12,999	13,339	29,569	912	3
(f) Texas		657,807	624,705	18,313	8,215	6,568	6	10

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 105, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Miscellaneous excise taxes: Total	Admissions: theaters, concerts, athletic contests, roof gardens, cabarets, etc.	Telephone: wire, etc., and equipment services	Transportation of persons [17]	Sugar	Diesel and special motor fuels
		(38)	(39)	(40)	(41)	(42)	(43)
United States, total		**2,147,547**	**11**	**1,316,378**	**223,687**	**108,191**	**224,657**
North-Atlantic Region		**496,043**	**24**	**240,024**	**73,332**	**40,894**	**23,291**
Albany	(See (c) below)	3,962	1	2,049	29	22	881
Augusta	(Maine)	1,741	7	384	22	187	627
Boston	(Massachusetts)	73,918	13	57,471	4,915	2,400	2,012
Brooklyn	(See (c) below)	3,258	−6	19	226	2	720
Buffalo	(See (c) below)	14,361	1	7,879	2,099	3	2,057
Burlington	(Vermont)	872	...	218	15	1	395
Hartford	(Connecticut)	25,458	(*)	21,606	31	4	1,798
Manhattan	(See (c) below)	370,811	7	150,206	65,993	38,275	14,188
Portsmouth	(New Hampshire)	912	...	185	2	(*)	408
Providence	(Rhode Island)	750	...	6	...	...	204
Mid-Atlantic Region		**240,438**	**1**	**172,635**	**3,800**	**4,527**	**30,466**
Baltimore	(Maryland and D.C.)	39,559	−5	29,239	3,686	8	2,381
Newark	(New Jersey)	60,397	5	51,329	34	66	4,260
Philadelphia	(See (e) below)	91,392	−3	63,719	50	4,451	9,272
Pittsburgh	(See (e) below)	20,279	(*)	6,171	12	2	11,028
Richmond	(Virginia)	27,787	4	22,173	11	(*)	3,312
Wilmington	(Delaware)	1,024	...	3	7	...	212
Southeast Region		**285,532**	**−46**	**206,631**	**29,922**	**9,862**	**17,512**
Atlanta	(Georgia)	140,197	−29	113,936	14,588	5,398	3,081
Birmingham	(Alabama)	72,261	−5	59,655	4,293	3,511	2,057
Columbia	(South Carolina)	4,961	−6	1,399	13	(*)	1,706
Greensboro	(North Carolina)	23,200	−2	14,263	1,893	(*)	3,095
Jackson	(Mississippi)	3,056	...	364	2	(*)	1,276
Jacksonville	(Florida)	31,781	−5	13,559	9,093	954	3,129
Nashville	(Tennessee)	10,077	(*)	3,454	39	(*)	3,168
Central Region		**207,489**	**−7**	**153,321**	**707**	**1,785**	**29,040**
Cincinnati	(See (d) below)	18,420	−3	13,036	93	1	2,333
Cleveland	(See (d) below)	66,399	2	50,979	88	338	9,535
Detroit	(Michigan)	61,587	(*)	50,097	122	1,426	4,075
Indianapolis	(Indiana)	38,157	−2	26,604	357	18	6,219
Louisville	(Kentucky)	12,768	−4	4,724	46	...	6,067
Parkersburg	(West Virginia)	10,159	...	7,880	2	2	813
Midwest Region		**410,020**	**18**	**266,473**	**85,599**	**1,165**	**31,163**
Aberdeen	(South Dakota)	2,019	...	555	(*)	...	862
Chicago	(See (b) below)	143,003	3	75,114	45,644	436	13,372
Des Moines	(Iowa)	9,504	3	4,342	14	6	2,921
Fargo	(North Dakota)	1,529	...	521	(*)	(*)	581
Milwaukee	(Wisconsin)	24,104	−1	18,131	109	24	2,654
Omaha	(Nebraska)	35,972	(*)	32,980	4	...	1,648
St. Louis	(Missouri)	153,531	3	121,786	22,679	632	4,289
St. Paul	(Minnesota)	26,906	...	3,871	17,127	14	2,738
Springfield	(See (b) below)	13,452	10	9,173	22	53	2,099
Southwest Region		**183,760**	**24**	**70,610**	**10,288**	**28,932**	**50,668**
Albuquerque	(New Mexico)	2,759	(*)	168	8	29	2,009
Austin	(See (f) below)	32,957	11	2,291	2,134	3,931	19,786
Cheyenne	(Wyoming)	2,227	...	75	3	...	1,712
Dallas	(See (f) below)	31,122	−2	13,488	5,330	(*)	6,329
Denver	(Colorado)	71,114	14	47,901	2,720	16,309	1,693
Little Rock	(Arkansas)	5,062	(*)	1,347	22	(*)	2,141
New Orleans	(Louisiana)	14,776	−2	746	52	8,663	2,021
Oklahoma City	(Oklahoma)	16,144	−2	1,112	12	(*)	12,676
Wichita	(Kansas)	7,600	5	3,482	6	...	2,302
Western Region		**323,072**	**−2**	**206,487**	**19,960**	**20,727**	**42,517**
Anchorage	(Alaska)	2,165	1	1,646	202	...	52
Boise	(Idaho)	2,359	(*)	150	42	...	1,367
Helena	(Montana)	1,877	2	389	6	(*)	921
Honolulu	(Hawaii)	6,961	(*)	4,258	981	3	1,147
Los Angeles	(See (a) below)	73,899	2	33,245	15,048	299	18,578
Phoenix	(Arizona)	3,567	...	251	418	(*)	2,030
Portland	(Oregon)	6,036	−12	1,525	26	13	1,934
Reno	(Nevada)	9,125	...	100	4	...	1,116
Salt Lake City	(Utah)	9,562	2	92	1	7,376	1,171
San Francsco	(See (a) below)	165,412	3	128,887	2,674	13,030	12,368
Seattle	(Washington)	42,111	(*)	35,944	560	6	1,833
Office of International Operations		**1,193**	...	**197**	**79**	**299**	...
Puerto Rico		301	...	...	...	299	...
Other		892	...	197	79	...	...
Undistributed:							
Federal tax deposits and depositary receipts [6]		...	...	...	...	...	...
Gasoline, lubricating oil, and excess FICA credits [7]		...	...	...	...	...	...
Transferred to Government of Guam		...	...	...	...	...	...
Withheld taxes of Federal employees		...	...	...	...	...	...
Totals for States not shown above							
(a) California		239,413	5	162,132	17,721	13,328	30,946
(b) Illinois		156,455	13	84,287	45,666	489	15,470
(c) New York		392,392	4	160,153	68,348	38,303	17,846
(d) Ohio		84,818	−2	64,015	181	339	11,867
(e) Pennsylvania		111,671	−2	69,890	62	4,453	20,300
(f) Texas		64,079	9	15,779	7,464	3,931	26,115

See footnotes on p. 108.

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

[In thousands of dollars. See table 3, p. 106, for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Miscellaneous excise taxes—Continued: Narcotics and marihuana including occupational taxes (44)	Coin-operated gaming devices (45)	Wagering taxes: Occupational (46)	Wagering taxes: Wages (47)	Use tax on highway motor vehicles (48)	Other [11] (49)	Unclassified excise taxes (50)
United States, total	**1,936**	**12,345**	**354**	**4,328**	**124,273**	**131,386**	**200,574**
North-Atlantic Region	**403**	**73**	**74**	**55**	**13,241**	**104,632**	**69,412**
Albany (See (c) below)	61	1	2	5	831	79	−110
Augusta (Maine)	4	...	(*)	...	489	21	419
Boston (Massachusetts)	33	68	32	6	2,470	4,497	4,145
Brooklyn (See (c) below)	105	(*)	10	3	1,545	635	10,134
Buffalo (See (c) below)	53		13	2	2,078	175	6,218
Burlington (Vermont)	1	...	...	...	230	12	55
Hartford (Connecticut)	11	1	3	7	1,457	539	−17,836
Manhattan (See (c) below)	131	1	12	15	3,432	98,550	66,086
Portsmouth (New Hampshire)	2	2	(*)	5	299	10	287
Providence (Rhode Island)	3	...	(*)	12	411	114	15
Mid-Atlantic Region	**353**	**1,010**	**45**	**76**	**16,754**	**10,772**	**33,371**
Baltimore (Maryland and D.C.)	29	778	22	2	2,528	891	3,373
Newark (New Jersey)	198	43	7	2	3,726	728	10,282
Philadelphia (See (e) below)	79	9	2	28	5,436	8,349	10,261
Pittsburgh (See (c) below)	14	90	6	29	2,705	220	8,738
Richmond (Virginia)	31	89	1	15	1,961	188	1,142
Wilmington (Delaware)	1	(*)	7	...	398	396	−424
Southeast Region	**113**	**1,987**	**20**	**349**	**17,602**	**1,580**	**3,504**
Atlanta (Georgia)	11	161	3	58	2,722	267	−33,988
Birmingham (Alabama)	11	3	1	81	2,412	241	5,585
Columbia (South Carolina)	7	693	7	38	1,087	17	921
Greensboro (North Carolina)	42	37	1	10	3,619	241	3,084
Jackson (Mississippi)	7	251	4	34	1,102	16	24,827
Jacksonville (Florida)	21	15	3	63	4,327	622	2,072
Nashville (Tennessee)	13	827	2	65	2,334	176	1,004
Central Region	**200**	**843**	**69**	**1,235**	**19,295**	**1,002**	**40,483**
Cincinnati (See (d) below)	20	195	13	60	2,515	157	−3,762
Cleveland (See (d) below)	63	60	5	171	4,971	188	−24,972
Detroit (Michigan)	31	3	6	69	5,460	297	73,347
Indianapolis (Indiana)	74	191	21	589	3,866	221	3,461
Louisville (Kentucky)	8	15	11	201	1,582	117	−7,616
Parkersburg (West Virginia)	4	378	13	144	901	23	24
Midwest Region	**133**	**389**	**14**	**288**	**20,868**	**3,909**	**50,708**
Aberdeen (South Dakota)	2	111	(*)	1	485	2	164
Chicago (See (b) below)	35	27	4	29	5,536	2,803	14,863
Des Moines (Iowa)	7	(*)	(*)	7	2,144	60	1,453
Fargo (North Dakota)	3	3	1	7	379	34	323
Milwaukee (Wisconsin)	16	(*)	1	(*)	3,005	166	5,640
Omaha (Nebraska)	11	44	4	38	1,197	45	20,397
St. Louis (Missouri)	37	86	1	4	3,502	512	10,430
St. Paul (Minnesota)	16	5	1	6	2,882	246	−2,255
Springfield (See (b) below)	6	114	1	195	1,740	40	−309
Southwest Region	**137**	**1,035**	**21**	**303**	**17,829**	**3,913**	**−39,773**
Albuquerque (New Mexico)	6	10	(*)	...	479	51	−847
Austin (See (f) below)	61	6	8	97	3,829	801	−1,546
Cheyenne (Wyoming)	6	43	1	2	378	6	104
Dallas (See (f) below)	15	...	1	32	4,837	1,092	2,680
Denver (Colorado)	16	36	(*)	...	2,221	204	3,696
Little Rock (Arkansas)	5	128	2	31	1,373	14	728
New Orleans (Louisiana)	9	600	5	45	1,180	1,457	788
Oklahoma City (Oklahoma)	10	63	4	88	1,994	186	−45,191
Wichita (Kansas)	8	148	(*)	8	1,540	102	−184
Western Region	**598**	**7,010**	**110**	**2,022**	**18,569**	**5,074**	**9,415**
Anchorage (Alaska)	5	47	2	3	132	75	−244
Boise (Idaho)	3	1	(*)	(*)	790	7	279
Helena (Montana)	3	37	11	22	480	8	44
Honolulu (Hawaii)	14	84	...	...	410	64	−784
Los Angeles (See (a) below)	305	50	10	96	4,497	1,769	−2,348
Phoenix (Arizona)	21	60	(*)	3	698	85	−117
Portland (Oregon)	13	186	(*)	(*)	2,132	218	1,655
Reno (Nevada)	35	5,961	7	1,440	224	239	341
Salt Lake City (Utah)	5	168	20	64	599	62	−850
San Francisco (See (a) below)	151	1	1	6	6,455	1,835	13,235
Seattle (Washington)	43	414	58	388	2,152	712	−1,846
Office of International Operations	**1**	...	...	...	**114**	**503**	**3,142**
Puerto Rico	1	...	...	...	...	1	2,176
Other	...	...	...	...	114	502	966
Undistributed:							
Federal tax deposits and depositary receipts [6]	...	...	...	...	...	...	30,312
Gasoline, lubricating oil, and excess FICA credits [7]	...	...	...	...	...	...	...
Transferred to Government of Guam	...	...	...	...	...	...	...
Withheld taxes of Federal employees	...	...	...	...	...	...	...
Totals for States not shown above							
(a) California	456	51	11	102	10,953	3,604	10,937
(b) Illinois	40	141	6	224	7,276	2,843	14,555
(c) New York	349	1	38	26	7,886	99,438	82,327
(d) Ohio	83	255	18	231	7,486	344	−28,733
(e) Pennsylvania	94	99	8	57	8,141	8,570	18,993
(f) Texas	76	6	10	129	8,665	1,893	1,135

See footnotes on p. 108.

Table 2.—Internal revenue collections by sources and by quarters

[In thousands of dollars]

Source of revenue	Quarter ended [27]: Sept. 30, 1968 (1)	Dec. 31, 1968 (2)	Mar. 31, 1969 (3)	June 30, 1969 (4)
Grand total	40,990,571	36,975,776	46,488,995	63,464,218
Corporation income tax	8,045,949	7,447,900	7,638,609	15,205,187
Individual income and employment taxes, total	28,365,928	24,761,374	34,376,423	43,005,337
Income tax not withheld and self-employment tax [3,4]	4,668,991	977,011	7,600,052	15,726,727
Income tax withheld and old-age and disability insurance [3,4,6]	23,466,533	23,546,133	25,921,537	27,023,363
Railroad retirement	225,658	234,649	237,716	240,662
Unemployment insurance	4,747	3,580	617,117	14,586
Estate tax	690,179	729,309	808,357	908,847
Gift tax	9,090	9,855	14,042	360,387
Excise taxes, total	3,879,424	4,027,339	3,651,565	3,984,460
Alcohol taxes, total	1,215,992	1,059,929	1,068,944	1,209,287
Distilled spirits [8]	857,414	839,004	800,213	893,156
Wines, cordials, etc	36,957	45,484	36,160	38,662
Beer [8]	321,622	175,441	232,571	277,510
Tobacco taxes, total [8]	615,903	504,054	499,017	518,903
Cigarettes	601,513	488,773	487,463	504,358
Cigars	14,000	14,950	11,307	14,178
Other	391	331	248	367
Stamp taxes on documents, other instruments, and playing cards, total [22]	571	214	376	294
Manufacturers' excise taxes, total	1,627,587	1,531,493	1,725,439	1,616,628
Gasoline	773,080	875,423	798,136	739,600
Lubricating oil, etc	22,296	21,017	20,164	33,999
Tires (wholly or in part of rubber), inner tubes, and tread rubber	159,999	148,923	179,883	142,723
Motor vehicles, chassis, bodies, parts, and accessories	658,276	472,186	716,346	687,839
Radio and television sets, phonographs, components, etc	209	−19	−311	−8
Refrigerators, freezers, air-conditioners, etc.; electric, gas, and oil appliances	46	−20	17	...
Other	13,681	13,982	11,204	12,475
Retailers' excise taxes, total	40	−9	−2	7
Luggage, etc	1	(*)	−1	(*)
Jewelry, etc	25	1	2	7
Furs	7	(*)	(*)	3
Toilet preparations	6	−9	−4	−3
Miscellaneous excise taxes, total	413,541	495,824	569,464	668,717
Admissions:				
Theaters, concerts, athletic contests, etc	11	−1	−30	−2
Roof gardens, cabarets, etc	52	−10	12	−20
Club dues and initiation fees [31]	186	207	637	10
Telephone wire, etc. and equipment services	178,409	347,248	333,826	456,895
Transportation of persons [27]	54,449	27,479	90,033	51,725
Use of safe deposit boxes [33]	1	(*)	(*)	...
Coconut and other vegetable oil processed	...	...	(*)	(*)
Sugar	26,428	32,291	28,301	21,172
Diesel and special motor fuels	52,550	57,306	55,405	59,395
Narcotics and marihuana, including occupational taxes	429	315	416	775
Coin-operated amusement devices, bowling alleys, pool tables, etc. [35]	9	25	9	10
Coin-operated gaming devices	10,787	95	428	1,036
Wagering taxes:				
Occupational	162	51	61	80
Wagers	1,126	732	1,189	1,281
Use tax on highway motor vehicles	63,568	15,483	22,206	23,016
Other	25,375	14,605	36,971	53,341
Unclassified excise taxes	5,789	435,834	−211,673	−29,376

See footnotes on p. 108.

Table 3.—Internal revenue collections by sources, fiscal years 1968 and 1969

[In thousands of dollars]

Source of revenue	Fiscal year 1968 (1)	Fiscal year 1969 (2)
Grand total, all sources	153,636,838	187,919,560
Corporation income taxes, total[19]	29,896,520	38,337,646
Regular	29,893,255	38,332,032
Exempt organization business income tax	3,265	5,613
Individual income and employment taxes, total	106,337,943	130,509,062
Income tax not withheld and self-employment tax	22,495,351	28,972,781
Income tax withheld and old-age and disability insurance, total[1,4,21]	82,377,342	99,957,566
Railroad retirement, total[22]	858,448	938,684
Unemployment insurance, employers of 4 or more persons taxed 3.1 percent on taxable portion of wages, effective January 1, 1964, credit allowed up to 90 percent of tax for contributions to State unemployment funds	606,802	640,030
Estate tax, graduated rates from 3 percent on first $5,000 of net estate in excess of $60,000 exemption to 77 percent on portion over $10,000,000; credit allowed for State death taxes	2,710,254	3,136,691
Gift tax, graduated rates from 2¼ percent on first $5,000 of net gifts in excess of $30,000 exemption to 57¾ percent on portion over $10,000,000; $3,000 annual exclusion for each donee	371,725	393,373
Excise taxes, total	14,320,396	15,542,787
Alcohol taxes, total	4,287,237	4,554,153
Distilled spirits taxes, total	3,196,911	3,389,786
Imported (collected by Customs, rates same as domestic)	765,104	831,601
Domestic, $10.50 per proof gallon or wine gallon when below proof[8]	2,389,950	2,504,152
Rectification, 30 cents per proof gallon[8]	28,284	39,421
Occupational taxes:		
Nonbeverage manufacturers of spirits, $25, $50, $100, per year	75	70
Rectifiers:		
Less than 20,000 proof gallons, $110 per year	17	37
20,000 proof gallons or more, $220 per year	34	47
Retail dealers in liquor or medicinal spirits, $54 per year	11,846	12,680
Wholesale liquor dealers, $255 per year	654	621
Manufacturers of stills, $55 per year	4	11
Seizures, penalties, etc	942	1,139
Stills or condensers manufactured, $22 each	2	8
Wines, cordials, etc., taxes, total	127,263	157,222
Imported (collected by Customs, rates same as domestic)	12,721	19,769
Domestic (Still-wines, 17 cents, 67 cents, $2.25 per wine gallon; sparkling wines, $3.40; artificially carbonated wines, $2.40; liqueurs, cordials, $1.92)	112,618	134,816
Occupational taxes:		
Retail dealers in wines or in wines and beer, $54 per year	1,795	2,472
Wholesale dealers in wines or in wines and beer, $255 per year	128	166
Beer taxes, total	963,062	1,007,144
Imported (collected by Customs, rates same as domestic)	5,964	6,203
Domestic, $9 per barrel of 31 gallons[8]	953,606	996,948
Occupational taxes:		
Brewers:		
Less than 500 barrels, $55 per year	1	2
500 barrels or more, $110 per year	14	14
Retail dealers in beer, $24 per year (includes limited retail dealers in wines or beer, $2.20 per month)	2,799	4,565
Wholesale dealers in beer, $123 per year	678	730
Tobacco taxes, total	2,122,277	2,137,877
Cigarettes, total	2,066,159	2,082,106
Small (Class A), $4 per thousand	2,066,152	2,082,101
Large (Class B), $8.40 per thousand, except if over 6½ inches long $4 per thousand for each 2¾ inches or fraction thereof[8]	5	5
Prepayments	1	1
Cigars, total	54,937	54,434
Large cigars, total[8]	54,572	53,646
Class A (Retailing at not over 2½ cents each), $2.50 per thousand	313	339
Class B (Over 2½ cents, not over 4 cents each), $3 per thousand	1,730	875
Class C (Over 4 cents, not over 6 cents each), $4 per thousand	13,523	12,256
Class D (Over 6 cents, not over 8 cents each), $7 per thousand	5,772	8,769
Class E (Over 8 cents, not over 15 cents each), $10 per thousand	25,015	22,864
Class F (Over 15 cents, not over 20 cents each), $15 per thousand	4,696	4,952
Class G (Over 20 cents each) $20 per thousand	3,522	3,591
Small cigars, 75 cents per thousand	342	443
Prepayments	22	345
Imported cigars, cigarettes, cigarette papers and cigarette tubes, (collected by Customs, rates same as domestic)	550	580
Miscellaneous tobacco	17	87
Cigarette papers and tubes, papers ½ cent per 50; tubes 1 cent per 50	614	669
Stamp taxes on documents, other instruments, and playing cards, total[23]	48,721	1,455
Manufacturers' excise taxes, total	5,713,973	6,501,146
Gasoline, 4 cents per gallon	3,030,792	3,186,239
Lubricating oil, etc., 6 cents per gallon; cutting oil, 3 cents per gallon[24]	92,311	97,476

See footnotes on p. 108.

Table 3.—Internal revenue collections by sources, fiscal years 1968 and 1969—Continued

[In thousands of dollars]

Source of revenue	Fiscal year 1968 (1)	Fiscal year 1969 (2)
Excise taxes—Continued		
Manufacturers' excise taxes—Continued		
Tires (wholly or in part of rubber), inner tubes, and tread rubber:		
Tires, highway type, 10 cents per pound other, 5 cents per pound except laminated tires (other than type used on highway vehicles), 1 cent per pound	439,751	576,699
Inner tubes, 10 cents per pound	22,442	26,919
Tread rubber, 5 cents per pound	26,945	27,909
Motor vehicles, chassis, bodies, parts, and accessories:		
Passenger automobiles, chassis, bodies, etc., 7 percent[25]	1,530,777	1,863,956
Trucks, and buses, chassis, bodies, etc., 10 percent	447,743	589,304
Parts and accessories for automobiles, trucks, etc., 8 percent[26]	76,226	81,387
Radio and television sets, phonographs, components, etc., 10 percent[27]	597	−129
Refrigerators, freezers, air-conditioners, etc., 5 percent; self-contained air-conditioning units, 10 percent[28]	436	31
Electric, gas, and oil appliances, 5 percent[27]	236	12
Pistols and revolvers, 10 percent	4,745	6,183
Phonograph records, 10 percent[27]	−62	−8
Musical instruments, 10 percent[27]	−45	−53
Sporting goods (other than fishing rods, creels, etc.), 10 percent[27]	40	−3
Fishing rods, creels, etc., 10 percent	9,228	11,904
Business and store machines, 10 percent[27]	10	−25
Cameras, lenses, films, etc., 10 percent; household type projectors, 5 percent[27]	−75	82
Electric light bulbs and tubes, 10 percent[29]	494	164
Firearms (other than pistols and revolvers), shells, and cartridges, 11 percent	31,372	33,082
Mechanical pencils, pens, 10 percent; lighters, 10 cents per lighter ($1 or more) 10 percent (less than $1)[27]	9	17
Matches, 2 cents per thousand (but not to exceed 10 percent of selling price); fancy wooden or colored stems, 5½ cents per thousand[27]		(*)
Retailers' excise taxes, total[27]	866	36
Luggage, etc., 10 percent	5	(*)
Jewelry, etc., 10 percent	442	34
Furs, 10 percent	287	10
Toilet preparations, 10 percent	131	−9
Miscellaneous excise taxes, total	1,858,843	2,147,547
Admissions taxes, total[30]	1,150	11
Theaters, concerts, athletic contests, etc.:		
Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of $1	73	−22
Ticket brokers' sales, 10 percent of amounts in excess of box office price	2	−2
Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold	(*)	3
Admissions sold by proprietors in excess of established price, 50 percent of such excess	1	(*)
Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc	1,074	33
Club dues and initiation fees, 20 percent (if dues or fees are in excess of $10 per year)[31]	1,536	1,040
Telephone, wire mileage, etc., services, 10 percent; wire and equipment services, 8 percent[32]	1,105,478	1,316,378
Transportation of—		
Oil by pipeline, 4½ percent; repealed effective Aug. 1, 1958	(*)	
Persons, 10 percent; repealed effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent	199,274	223,687
Property, 3 percent on amount paid, except coal which is 4 cents per ton; repealed effective Aug. 1, 1958	30	
Use of safe deposit boxes, 10 percent[33]	−7	1
Coconut and other vegetable oils processed, 2 cents per pound repealed, effective Aug. 31, 1963	1	(*)
Sugar, approximately ½ cent per pound	102,270	108,191
Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)	201,918	274,657
Narcotics and marihuana, total[34]	1,615	1,936
Narcotics	1,300	1,217
Marihuana	315	719
Coin-operated amusement devices $10 per device, per year, bowling alleys, pool tables, etc., $20 per alley or table, per year[33]	57	53
Coin-operated gaming devices, $250 per device per year	14,806	12,345
Wagering taxes:		
Occupational tax, $50 per year	416	354
Wagers, 10 percent of amount wagered	4,695	4,328
Use tax on highway vehicles weighing over 26,000 pounds, $3 per 1,000 pounds per year (installment privileges permitted)	108,918	124,273
Adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleomargarine[35]	2	6
Firearms transfer and occupational taxes[36]	84	1,667
Interest equalization	98,143	110,138
Foreign insurance	18,457	18,482
Unclassified excise taxes	288,480	200,574

See footnotes on p. 108.

Table 4.—Internal revenue collections by principal sources, fiscal years 1940 through 1969

[In thousands of dollars]

Fiscal year ended June 30	Total internal revenue collections	Income and profits taxes			Employment taxes [3]	Estate and gift taxes	Alcohol taxes [9]	Tobacco taxes [8]	Manufacturers' excise taxes	All other taxes
		Total	Corporation income and profits taxes [2]	Individual income taxes [3,4]						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1940	5,340,452	2,129,609	1,147,592	982,017	833,521	360,071	624,253	608,518	447,088	337,392
1941	7,370,108	3,471,124	2,053,469	1,417,655	925,856	407,058	820,056	698,077	617,373	430,564
1942	13,047,869	8,006,884	4,744,083	3,262,800	1,185,362	432,540	1,048,517	780,982	771,902	821,682
1943	22,371,386	16,298,888	9,668,956	6,629,932	1,498,705	447,496	1,423,646	923,857	504,746	1,274,048
1944	40,121,760	33,027,802	14,766,796	18,261,005	1,738,372	511,210	1,618,775	988,483	503,462	1,733,655
1945	43,800,388	35,061,526	16,027,213	19,034,313	1,779,177	643,055	2,309,866	932,145	782,511	2,292,108
1946	40,672,097	31,258,138	12,553,602	18,704,536	1,700,828	676,832	2,526,165	1,165,519	922,671	2,421,944
1947	39,108,386	29,019,756	9,676,459	19,343,297	2,024,365	779,291	2,474,762	1,237,768	1,425,260	2,147,184
1948	41,864,542	31,172,191	10,174,410	20,997,781	2,381,342	899,345	2,255,327	1,300,280	1,649,234	2,206,823
1949	40,463,125	29,605,491	11,553,669	18,051,822	2,476,113	796,538	2,210,607	1,321,875	1,771,533	2,280,969
1950	38,957,132	28,007,659	10,854,351	17,153,308	2,644,575	706,227	2,219,202	1,328,464	1,836,053	2,214,951
1951	50,445,686	37,384,879	14,387,569	22,997,309	3,627,479	729,730	2,546,808	1,380,396	2,383,677	2,392,719
1952	65,009,586	50,741,017	21,466,910	29,274,107	4,464,264	833,147	2,549,120	1,565,162	2,348,943	2,507,933
1953	69,686,535	54,130,732	21,594,515	32,536,217	4,718,403	891,284	2,780,925	1,654,911	2,862,788	2,647,492
1954	69,919,991	54,360,014	21,546,322	32,813,691	5,107,623	935,121	2,783,012	1,580,229	2,689,133	2,464,859
1955	66,288,692	49,914,826	18,264,720	31,650,106	6,219,665	936,267	2,742,840	1,571,213	2,885,016	2,018,866
1956	75,112,649	56,636,164	21,298,522	35,337,642	7,295,784	1,171,237	2,920,574	1,613,497	3,456,013	2,019,380
1957	80,171,971	60,560,425	21,530,653	39,029,772	7,580,522	1,377,939	2,973,195	1,674,050	3,761,925	2,243,856
1958	79,978,476	59,101,874	20,533,316	38,568,559	8,644,386	1,410,925	2,946,461	1,734,021	3,974,135	2,166,675
1959	79,797,973	58,826,254	18,091,509	40,734,744	8,853,744	1,352,982	3,002,096	1,806,816	3,958,789	1,997,292
1960	91,774,803	67,125,126	22,179,414	44,945,711	11,158,589	1,626,348	3,193,714	1,931,504	4,735,129	2,004,394
1961	94,401,086	67,917,941	21,764,940	46,153,001	12,502,451	1,916,392	3,212,801	1,991,117	4,896,802	1,963,582
1962	99,440,839	71,945,305	21,295,711	50,649,594	12,708,171	2,035,187	3,341,282	2,025,736	5,120,340	2,264,817
1963	105,925,395	75,323,714	22,336,134	52,987,581	15,004,486	2,187,457	3,441,656	2,079,237	5,610,309	2,278,536
1964	112,260,257	78,891,218	24,300,863	54,590,354	17,002,504	2,416,303	3,577,499	2,052,545	6,020,543	2,299,645
1965	114,434,634	79,792,016	26,131,334	53,660,683	17,104,306	2,745,532	3,772,634	2,148,594	6,418,145	2,453,406
1966	128,879,961	92,131,794	30,834,243	61,297,552	20,256,133	3,093,922	3,814,378	2,073,956	5,613,869	1,895,909
1967	148,374,815	104,288,420	34,917,825	69,370,595	26,958,241	3,014,406	4,075,723	2,079,869	5,478,347	2,479,809
1968	153,636,838	r 108,148,565	29,896,520	r 78,252,045	r 28,085,898	3,081,979	4,287,237	2,122,277	5,713,973	r 2,196,909
1969	187,919,560	135,778,052	38,337,646	97,440,405	33,068,657	3,530,065	4,554,153	2,137,877	6,501,146	2,349,611

Footnotes for tables 1–4

Note:—Calendar year figures, by regions, districts, States, and other areas, for selected types of taxes may be obtained from the Public Information Division, Internal Revenue Service, Washington, D.C. 20224.

*Less than $500.

r Revised.

[1] The receipts in the various States do not indicate the Federal tax burden of each, since in many instances, taxes are collected in one State from residents of another State. For example, withholding taxes reported by employers located near State lines may include substantial amounts withheld from salaries of employees who reside in neighboring States.

[2] Includes tax on unrelated business income of exempt organizations.

[3] Collections of individual income tax not withheld include old-age, survivors, disability, and hospital insurance taxes on self-employment income. Similarly, the collections of income tax withheld are reported in combined amounts with old-age, survivors, disability, and hospital insurance taxes on salaries and wages. Estimated separate national totals for individual income tax and for old-age, survivors, disability, and hospital insurance taxes are shown in the text table on p. — and are used in obtaining national totals for individual income taxes and employment taxes in table 4.

[4] Self-employment tax and taxes imposed by the Federal Insurance Contributions Act are applicable with respect to Guam and American Samoa. Amounts of such taxes collected in Guam and American Samoa are combined with similar taxes reported for Office of International Operations-Other.

[5] Beginning with fiscal year 1957, the United States total is adjusted to exclude withheld individual income taxes transferred to the Government of Guam in accordance with the provisions of Public Law 630, approved August 1, 1950 (64 Stat. 392). This adjustment amounted to $9.3 million for 1969.

[6] Tax payments made to banks, under the Federal tax deposit system or the prior depository receipts system, are included in the internal revenue collections for the period in which the Federal tax deposit is purchased or the depository receipts were issued. However, such payments are not classified by internal revenue districts (nor by tax subclasses to which excise tax payments relate) until the Federal tax deposit payment is applied to the taxpayer's liability in the internal revenue offices or the depositary receipts are received in the internal revenue offices with tax returns. Accordingly, the items shown as "Undistributed Federal tax deposits and depositary receipts" represent the amount of Federal tax deposit forms purchased but not yet applied to the taxpayer's liability and the amount of depositary receipts issued, less the amount of depositary receipts received with returns and distributed by district and tax subclass.

[7] Represents credits allowable on income tax returns for certain gasoline and lubricating oil tax payments and for excess payments under the Federal Insurance Contributions Act (FICA).

[8] Amounts of internal revenue taxes collected on Puerto Rican products transported to the United States or consumed in the island (less refunds, drawbacks, and expenses) are covered into the Treasury of Puerto Rico under provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 4), beginning with 1955 and are shown separately in table 7.

[9] Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, and non-beverage manufacturers of spirits.

[10] Includes seizures, penalties, etc., and tax on stills or condensers manufactured.

[11] Includes occupational taxes on wholesale and retail dealers in wines or in wines and beer.

[12] Includes occupational taxes on brewers and wholesale and retail beer dealers.

[13] Includes taxes on domestically produced cigarette papers and cigarette tubes; taxes collected by Customs on imported cigars, cigarettes, cigarette papers and cigarette tubes; and miscellaneous tobacco collections.

[14] Includes stamp taxes on deeds of conveyances, repealed effective Jan. 1, 1968, issues and transfers of bonds of indebtedness or capital stock, repealed Jan. 1, 1966, playing cards, repealed June 22, 1965, and silver bullion, repealed June 5, 1963.

[15] Includes taxes on fishing equipment, and taxes on the following items which were repealed by Public Law 89–44: Phonograph records, musical instruments; sporting goods (except fishing equipment); business and store machines; cameras, lenses, film, and projectors; electric light bulbs, and tubes; mechanical pencils, pens, and lighters; matches; radio and television sets, phonographs, components, etc.; refrigerators, freezers, air-conditioners, etc.; electric, gas and oil appliances.

[16] Includes taxes on luggage, jewelry, furs, toilet preparations; repealed effective June 22, 1965 (Public Law 89–44).

[17] Transportation of persons: Rate 10 percent, repealed effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent.

[18] Includes taxes on adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleomargarine; firearms transfer; and occupational taxes. Includes taxes on the following items which were repealed by Public Law 89–44: Club dues and initiation fees; coin-operated amusement devices; bowling alleys, pool tables, etc.; and use of safety deposit boxes. Also includes taxes on coconut and other vegetable oils processed (repealed effective Aug. 31, 1963) and transportation of property and oil by pipeline (repealed effective Aug. 1, 1958).

[19] Corporation income tax rates: Effective Jan. 1, 1965, first $25,000 of net income normal tax of 22 percent; net income in excess of $25,000 combined normal and surtax of 48 percent. Normal tax and surtax also apply to net income derived by certain exempt organizations from unrelated trade or business. Effective Jan. 1, 1968, a 10 percent per annum surcharge was added to the tax. (Public Law 90–364)

[20] Rates of tax are as follows: Individual income tax: Effective Jan. 1, 1965, graduated rates from 14 percent on taxable income not over $500 to 70 percent on amounts of taxable income over $100,000. Old-age, survivors, disability, and hospital insurance taxes on self-employment taxable income, 6.4 percent for taxable year 1967 on income through $6,600, 6.4 percent for taxable year 1968 on income through $7,800 and 6.9 percent for taxable year 1969 on income through $7,800. Effective Apr. 1, 1968, a 10 percent per annum surcharge was added, with limited applicability. (Public Law 90–364)

[21] Rates of tax are as follows: Income tax withheld: Effective July 1, 1967, graduated withholding, 14 percent to 33 percent of wages in excess of exemptions (Public Law 89–368). Old-age, survivors, and disability insurance taxes and hospital insurance taxes on salaries and wages: Employers' and employees' tax each, 4.4 percent (3.9 percent for old-age, survivors, and disability insurance plus 0.5 percent for hospital insurance benefits), effective Jan. 1, 1967. For taxable year 1968, a combined tax rate of 4.4 percent (3.8 percent for social security and 0.6 percent for hospital insurance) applies. For taxable year 1969, a combined tax rate of 4.8 percent (4.2 percent for social security and 0.6 percent for hospital insurance) applies. For 1967 the tax applies to wages up to $6,600 and for 1968 and 1969 the tax applies to wages up to $7,800 paid by the employer and received by the employee. In the case of wages paid after the fifteenth day following enactment of Public Law 90–364 (enacted June 28, 1968) income tax withheld was adjusted to include the surcharge.

[22] Includes railroad employment compensation tax 8.65 percent for calendar year 1967, 8.90 percent for calendar year 1968, and 9.55 percent for calendar year 1969. Tax applies to employers and employees, imposed on taxable portion of wages. Also, effective Oct. 31, 1966, includes (a) a tax on income on each employee representative equal to 2 cents per man-hour for which compensation is paid to him; and (b) a tax imposed on each employer equal to 2 cents for each man-hour for which compensation is paid to employees. Further includes railroad employees representative tax, 17.3 percent for calendar year 1967, 17.8 percent for calendar year 1968, and 19.1 percent for calendar year 1969, on taxable portion of wages.

[23] Issues and transfers of stocks and bonds, repealed, effective Jan. 1, 1966. Deeds of conveyances; $100 to $500, 55 cents; each additional $500 or fraction thereof, 55 cents; repealed effective Jan. 1, 1968.

[24] Cutting oil, repealed Jan. 1, 1966 (Public Law 89–44).

[25] Rate 10 percent through May 14, 1965; 7 percent from May 15, 1965, through Dec. 31, 1965; 6 percent, Jan. 1, 1966, through Mar. 15, 1966 (Public Law 89–44). Under the Tax Adjustment Act of 1966, rate restored to 7 percent effective Mar. 16, 1966 (Public Law 89–368). The rate was scheduled to drop to 2 percent on April 1, 1968, but was continued at 7 percent to April 30, 1968, by Joint Resolution (Public Law 90–285). Under the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90–364) rate restored retroactively, to 7 percent.

[26] Automobile parts and accessories (except truck parts), repealed, effective Jan. 1, 1966 (Public Law 89–44).

[27] Repealed, effective June 22, 1965 (Public Law 89–44).

[28] Air conditioners, repealed, effective May 15, 1965. Refrigerators and freezers, repealed, effective June 22, 1965 (Public Law 89–44).

[29] Sales of light bulbs for incorporation in articles upon which the manufacturer's tax was repealed effective June 22, 1965 (e.g. refrigerators), are free of tax on and after such date. Tax on all other light bulbs and tubes, repealed effective Jan. 1, 1966 (Public Law 89-44).

[30] Repealed, effective noon, Dec. 31, 1965 (Public Law 89-44).

[31] Repealed, effective Jan. 1, 1966 (Public Law 89-44).

[32] Private communications service, telegraph service, and wire equipment service, repealed, effective Jan. 1, 1966 (Public Law 89-44). General and toll telephone and teletypewriter service reduced to 3 percent, effective Jan. 1, 1966. For general and toll telephone service and for teletypewriter exchange service, the rate of tax on amounts paid on bills first rendered on or after April 1, 1966, for services rendered after Jan. 31, 1966, was increased from 3 to 10 percent of the amount paid (Public Law 89-368). The rate has been continued at 10 percent by joint resolution (Public Law 90-285), and the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90-364).

[33] Repealed effective July 1, 1965 (Public Law 89-44).

[34] Narcotics, 1 cent per ounce; narcotics order blanks, $1 per hundred. Marihuana, $1 per ounce; marihuana order blanks, 2 cents each. Amounts shown also include occupational taxes levied on manufacturers, dealers, and practitioners. For classes and rates of occupational taxes, see table 14.

[35] Adulterated butter: 10 cents per pound. Process or renovated butter: ¼ cent per pound. Domestic filled cheese: 1 cent per pound. Imported filled cheese: 8 cents per pound. Imported adulterated butter and oleomargarine: 15 cents per pound. Occupational taxes are levied on manufacturers or dealers in these products and are included in the amounts shown.

[36] Transfers of machineguns, short-barreled firearms, silencers, etc., $200 each; certain guns with combination shotgun and rifle barrels, and other special types of firearms, $5 each. Occupational taxes are levied on manufacturers, importers, or dealers in firearms and are included in the amount shown.

[37] Negative figures (excluding unapplied collections and undistributed depositary receipts) stem primarily from floor stock credits taken on certain taxes repealed by the Excise Tax Reduction Act of 1965.

Table 5.—Internal revenue refunds, including interest

[In thousands of dollars]

Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; total for other States shown at bottom of table)		Total	Corporation income	Individual income and employment taxes		Estate	Gift	Excise [1]
				Excessive prepayments	Other			
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total [2]		**12,942,604**	**1,735,051**	**9,944,210**	**895,450**	**44,413**	**1,691**	**321,790**
North-Atlantic Region		**2,120,815**	**526,808**	**1,511,496**	**43,930**	**7,508**	**234**	**24,838**
Albany	(See (c) below)	84,826	6,176	76,018	1,628	441	12	551
Augusta	(Maine)	45,471	4,186	40,005	1,048	146	(*)	87
Boston	(Massachusetts)	369,609	66,217	291,888	7,250	1,303	26	2,924
Brooklyn	(See (c) below)	385,340	35,285	336,747	6,460	839	12	5,997
Buffalo	(See (c) below)	286,897	36,450	242,875	3,809	939	11	2,814
Burlington	(Vermont)	18,273	802	16,871	432	149	1	18
Hartford	(Connecticut)	204,788	24,432	169,696	4,503	549	40	5,569
Manhattan	(See (c) below)	632,424	344,364	255,464	23,082	2,628	88	6,798
Portsmouth	(New Hampshire)	36,984	2,971	32,941	649	398	1	26
Providence	(Rhode Island)	56,201	5,926	48,991	1,070	118	42	54
Mid-Atlantic Region		**1,762,075**	**242,708**	**1,438,056**	**28,561**	**8,724**	**5**	**44,021**
Baltimore	(Maryland and D.C.)	349,169	62,059	266,246	5,626	929	−16	14,325
Newark	(New Jersey)	456,609	45,438	383,689	7,263	4,812	(*)	15,407
Philadelphia	(See (e) below)	436,761	70,803	349,265	6,982	944	(*)	8,767
Pittsburgh	(See (e) below)	259,426	28,300	224,568	3,977	826	17	1,738
Richmond	(Virginia)	226,418	29,694	189,984	3,185	424	1	3,131
Wilmington	(Delaware)	33,692	6,414	24,304	1,528	789	3	654
Southeast Region		**1,112,092**	**127,429**	**941,787**	**23,503**	**5,300**	**149**	**13,923**
Atlanta	(Georgia)	193,132	24,011	160,280	4,809	816	8	3,208
Birmingham	(Alabama)	131,520	16,596	111,914	2,136	228	6	641
Columbia	(South Carolina)	95,436	17,312	76,517	1,208	138	2	259
Greensboro	(North Carolina)	174,842	18,149	145,777	3,159	565	53	7,138
Jackson	(Mississippi)	68,755	10,777	56,251	1,473	20	1	233
Jacksonville	(Florida)	309,046	29,622	267,320	7,456	3,298	69	1,281
Nashville	(Tennessee)	139,360	10,962	123,729	3,263	235	9	1,162
Central Region		**1,755,214**	**210,858**	**1,488,102**	**34,354**	**2,810**	**167**	**18,923**
Cincinnati	(See (d) below)	262,195	34,176	218,194	5,173	579	20	4,052
Cleveland	(See (d) below)	418,840	66,903	341,326	8,300	458	27	1,826
Detroit	(Michigan)	601,171	67,036	515,480	11,152	786	32	6,685
Indianapolis	(Indiana)	274,867	23,530	240,985	5,883	379	1	4,089
Louisville	(Kentucky)	130,681	15,652	109,649	2,702	430	68	2,180
Parkersburg	(West Virginia)	67,461	3,562	62,468	1,144	178	19	90
Midwest Region		**1,651,574**	**245,908**	**1,349,120**	**31,718**	**4,742**	**352**	**19,729**
Aberdeen	(South Dakota)	21,386	1,123	19,479	682	15	(*)	85
Chicago	(See (b) below)	579,710	90,668	470,052	10,089	1,557	175	7,168
Des Moines	(Iowa)	119,032	11,067	104,700	2,517	325	1	422
Fargo	(North Dakota)	19,465	1,188	16,658	1,461	35	2	121
Milwaukee	(Wisconsin)	219,239	26,278	187,762	3,652	715	43	789
Omaha	(Nebraska)	64,849	7,271	54,986	2,077	240	2	272
St. Louis	(Missouri)	268,937	52,563	203,112	4,881	563	126	7,691
St. Paul	(Minnesota)	207,955	32,377	169,178	4,020	397	5	1,979
Springfield	(See (b) below)	151,000	23,373	123,192	2,339	896	1	1,202
Southwest Region		**1,109,240**	**123,037**	**933,596**	**40,398**	**5,869**	**298**	**6,042**
Albuquerque	(New Mexico)	44,552	2,112	40,903	1,287	192	(*)	59
Austin	(See (f) below)	281,751	33,827	234,607	10,326	1,501	30	1,460
Cheyenne	(Wyoming)	15,132	707	13,788	527	80	10	19
Dallas	(See (f) below)	219,840	26,674	177,589	11,930	1,062	169	2,415
Denver	(Colorado)	125,213	15,631	105,235	3,690	418	26	214
Little Rock	(Arkansas)	59,996	4,750	52,672	2,222	155	4	193
New Orleans	(Louisiana)	154,410	15,319	134,274	4,164	308	10	335
Oklahoma City	(Oklahoma)	112,165	16,335	90,299	3,017	1,455	17	1,042
Wichita	(Kansas)	96,182	7,683	84,229	3,236	697	32	305
Western Region		**2,570,214**	**252,916**	**2,214,917**	**76,501**	**8,850**	**482**	**16,548**
Anchorage	(Alaska)	24,979	1,232	22,308	1,358	6	(*)	74
Boise	(Idaho)	37,571	6,128	29,761	1,480	88	1	114
Helena	(Montana)	30,803	1,894	27,474	1,246	100	8	81
Honolulu	(Hawaii)	53,640	7,920	44,856	721	82	1	61
Los Angeles	(See (a) below)	1,231,802	117,058	1,069,112	35,551	4,889	252	4,940
Phoenix	(Arizona)	93,175	6,339	83,063	3,121	582	1	69
Portland	(Oregon)	114,770	10,915	99,415	4,053	154	5	228
Reno	(Nevada)	42,679	2,852	38,309	1,379	39	71	29
Salt Lake City	(Utah)	57,884	2,213	54,168	1,237	135	9	123
San Francisco	(See (a) below)	655,603	66,333	557,110	20,251	1,849	124	9,937
Seattle	(Washington)	227,307	30,033	189,340	6,105	927	11	891
Office of International Operations		**78,639**	**5,386**	**67,136**	**5,532**	**608**	----	**−23**
Puerto Rico		10,460	14	10,145	398	(*)	----	−97
Other		68,179	5,372	56,991	5,134	608	----	74
Gasoline, lubricating oil and excess FICA credits [4]		**780,798**	----	----	**604,953**	----	----	**175,845**
Bureau of Customs		**1,943**	----	----	----	----	----	**1,943**
Totals for States not shown above								
(a) California		1,887,405	183,391	1,626,222	55,802	6,737	376	14,878
(b) Illinois		730,710	114,041	593,244	12,421	2,453	176	8,370
(c) New York		1,389,488	422,275	911,104	34,979	4,846	124	16,160
(d) Ohio		681,035	101,079	559,520	13,473	1,037	47	5,878
(e) Pennsylvania		696,187	99,103	573,834	10,959	1,770	17	10,505
(f) Texas		501,590	60,501	412,196	22,257	2,563	199	3,875

*Less than $500.

[1] Includes drawbacks.

[2] Figures have not been reduced to reflect reimbursements from the Federal Old Age and Survivors, Federal Disability and Federal Hospital Insurance Trust Funds amounting to $604,953,000 in 1969 and $262,715,000 in 1968; from the Highway Trust Fund amounting to $223,755,000 in 1969 and $114,387,000 in 1968; and from the Unemployment Trust Fund amounting to $6,852,000 in 1969 and $5,829,000 in 1968.

[3] Net of 127,547 undeliverable checks deposited totaling $18,539,000.

[4] Represents credits allowable on income tax returns for certain gasoline and lubricating oil tax payments and for excess Social Security payments under the Federal Insurance Contribution Act (FICA).

Table 6.—Number of returns filed, by internal revenue regions, districts, States, and other areas

Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Total[1] (1)	Individual income tax[1] (2)	Corporation income tax (3)	Partnership (4)	Declaration of estimated tax and all other income taxes[1] (5)	Employment taxes (6)	Estate tax (7)	Gift tax (8)	Excise taxes (9)
United States, total		**110,658,633**	**75,106,038**	**1,729,888**	**956,387**	**8,909,429**	**22,032,475**	**123,495**	**150,785**	**1,650,216**
North-Atlantic Region		**18,213,925**	**12,042,679**	**424,919**	**129,038**	**1,711,483**	**3,603,698**	**24,234**	**30,876**	**246,998**
Albany	(See (c) below)	962,551	701,560	16,915	8,272	14,693	201,086	1,605	633	17,787
Augusta	(Maine)	520,419	376,774	8,349	3,249	7,963	112,869	660	678	9,877
Boston	(Massachusetts)	3,105,985	2,284,145	63,688	13,842	99,541	596,928	3,945	4,889	39,007
Brooklyn	(See (c) below)	3,634,775	2,715,005	94,144	27,938	34,943	703,048	6,068	5,472	48,157
Buffalo	(See (c) below)	2,351,727	1,800,791	37,366	20,229	35,343	414,645	2,894	3,394	37,065
Burlington	(Vermont)	240,459	163,379	4,275	2,436	4,262	60,360	279	262	5,206
Hartford	(Connecticut)	1,748,572	1,300,028	33,802	14,712	36,845	331,668	2,618	3,870	25,029
Manhattan	(See (c) below)	3,471,672	2,040,893	146,107	32,300	171,068	1,013,918	5,095	10,687	51,604
Portsmouth	(New Hampshire)	367,178	275,358	7,017	2,712	5,582	68,549	548	398	7,014
Providence	(Rhode Island)	519,528	384,746	13,256	3,348	10,184	100,627	522	593	6,252
Mid-Atlantic Region		**16,252,488**	**11,106,342**	**268,660**	**128,407**	**1,510,530**	**3,020,642**	**16,827**	**20,739**	**182,341**
Baltimore	(Maryland and D.C.)	2,611,807	1,948,477	41,265	19,412	40,811	522,635	2,461	3,755	32,991
Newark	(New Jersey)	3,846,189	2,810,765	104,035	36,453	55,891	783,651	5,334	6,168	43,892
Philadelphia	(See (e) below)	3,824,207	2,842,204	56,887	32,317	85,331	748,856	4,330	4,612	49,670
Pittsburgh	(See (e) below)	2,213,322	1,684,368	24,823	21,232	38,640	406,458	2,168	2,606	33,027
Richmond	(Virginia)	2,205,750	1,617,047	31,829	17,282	22,248	493,481	2,111	3,006	18,746
Wilmington	(Delaware)	293,534	203,481	7,821	1,711	9,930	65,561	423	592	4,015
Southeast Region		**14,094,928**	**9,336,754**	**206,748**	**112,439**	**873,377**	**3,320,642**	**12,222**	**17,918**	**214,828**
Atlanta	(Georgia)	2,126,594	1,472,997	29,674	18,265	22,530	548,532	1,467	2,907	30,222
Birmingham	(Alabama)	1,469,788	1,036,200	18,071	11,732	11,998	366,750	867	1,568	22,602
Columbia	(South Carolina)	1,173,339	830,766	15,441	8,572	7,651	286,234	844	1,080	22,751
Greensboro	(North Carolina)	2,421,713	1,716,000	35,296	17,657	24,532	592,582	1,767	2,764	31,115
Jackson	(Mississippi)	874,099	584,135	11,624	9,561	6,696	239,859	639	820	20,765
Jacksonville	(Florida)	3,448,106	2,384,471	75,324	26,960	50,288	841,651	5,340	6,784	57,288
Nashville	(Tennessee)	1,848,153	1,312,185	21,318	19,692	16,546	445,034	1,298	1,995	30,085
Central Region		**15,034,559**	**10,706,584**	**169,801**	**115,844**	**1,130,641**	**2,665,684**	**14,857**	**18,180**	**212,968**
Cincinnati	(See (d) below)	2,328,768	1,821,435	28,153	18,529	40,238	383,329	2,861	2,963	31,260
Cleveland	(See (d) below)	3,058,566	2,287,908	43,531	22,159	55,943	595,845	3,298	4,370	45,512
Detroit	(Michigan)	4,187,656	3,236,226	46,682	36,707	49,665	748,325	3,453	5,307	61,301
Indianapolis	(Indiana)	2,398,611	1,817,864	27,745	17,731	31,152	462,352	3,218	3,006	35,543
Louisville	(Kentucky)	1,383,005	1,006,089	15,323	12,381	16,183	306,200	1,356	1,815	23,658
Parkersburg	(West Virginia)	749,172	537,062	8,367	8,337	8,689	169,633	671	719	15,694
Midwest Region		**16,834,393**	**11,360,400**	**244,000**	**169,942**	**1,413,675**	**3,138,093**	**22,086**	**23,935**	**262,282**
Aberdeen	(South Dakota)	352,929	241,019	4,576	5,310	3,453	88,634	551	542	8,844
Chicago	(See (b) below)	4,400,581	3,336,543	76,039	43,775	93,885	785,357	6,249	7,216	51,517
Des Moines	(Iowa)	1,494,153	1,072,622	20,332	23,085	25,763	321,091	1,677	2,277	27,306
Fargo	(North Dakota)	328,775	225,963	4,128	4,282	3,521	82,402	529	558	7,392
Milwaukee	(Wisconsin)	2,268,881	1,662,687	37,817	20,001	43,658	451,282	2,723	4,174	46,539
Omaha	(Nebraska)	823,193	570,243	12,713	11,401	11,205	195,685	1,857	2,085	18,004
St. Louis	(Missouri)	2,384,027	1,710,880	43,356	24,086	38,300	517,695	2,527	3,184	43,999
St. Paul	(Minnesota)	1,927,872	1,439,484	29,601	19,666	28,675	370,787	2,566	1,980	35,113
Springfield	(See (b) below)	1,506,440	1,100,959	15,438	18,336	17,673	325,160	3,407	1,919	23,548
Southwest Region		**12,753,033**	**8,419,779**	**193,865**	**116,536**	**880,992**	**2,873,081**	**12,996**	**19,133**	**237,651**
Albuquerque	(New Mexico)	447,757	319,895	6,299	7,053	4,047	101,223	341	582	8,317
Austin	(See (f) below)	2,969,929	2,091,723	43,465	23,354	36,577	710,122	2,594	4,477	57,617
Cheyenne	(Wyoming)	170,369	105,853	3,717	2,650	1,800	48,890	249	442	6,768
Dallas	(See (f) below)	2,556,568	1,773,541	39,891	24,632	37,441	628,293	2,515	3,802	46,453
Denver	(Colorado)	1,101,422	794,275	21,880	9,757	17,958	232,684	1,377	1,844	21,647
Little Rock	(Arkansas)	860,580	586,061	12,533	17,773	5,736	215,969	695	1,266	20,547
New Orleans	(Louisiana)	1,548,183	1,085,574	31,381	10,044	7,305	382,581	1,096	1,486	28,716
Oklahoma City	(Oklahoma)	1,216,478	853,552	19,456	12,484	14,429	286,487	1,764	2,394	25,912
Wichita	(Kansas)	1,140,846	809,305	15,243	8,789	13,898	266,832	2,355	2,840	21,574
Western Region		**17,101,916**	**11,743,189**	**221,534**	**183,866**	**1,352,044**	**3,271,318**	**19,113**	**19,524**	**291,328**
Anchorage	(Alaska)	116,629	84,167	2,099	1,813	1,103	24,784	37	68	2,558
Boise	(Idaho)	350,885	246,315	5,516	4,355	3,110	81,799	339	515	8,936
Helena	(Montana)	369,407	250,761	6,128	5,124	3,691	91,407	475	820	11,001
Honolulu	(Hawaii)	369,636	275,889	6,692	2,484	7,065	71,770	284	627	4,825
Los Angeles	(See (a) below)	6,284,617	4,703,355	90,034	66,933	85,420	1,241,598	7,465	6,698	83,114
Phoenix	(Arizona)	793,480	580,560	11,894	5,323	11,490	164,701	849	1,084	17,579
Portland	(Oregon)	1,079,477	771,013	16,487	15,853	16,590	234,429	1,144	1,624	22,337
Reno	(Nevada)	255,549	185,844	4,898	2,670	3,001	51,954	175	291	6,716
Salt Lake City	(Utah)	483,821	354,387	8,516	5,139	7,800	94,172	350	646	12,811
San Francisco	((See (a) below)	4,130,652	3,020,663	43,611	54,011	56,738	861,528	6,197	5,472	82,432
Seattle	(Washington)	1,735,962	1,270,235	25,659	20,161	24,235	353,176	1,798	1,679	39,019
Office of International Operations		**573,391**	**390,311**	**2,281**	**315**	**37,587**	**139,317**	**1,160**	**480**	**1,940**
Puerto Rico		207,996	75,567	248	6	105	131,332	8	20	710
Other		328,975	314,744	2,033	309	1,062	7,985	1,152	460	1,230
Totals for States not shown above										
	(a) California	10,415,269	7,724,018	133,645	120,944	142,158	2,103,126	13,662	12,170	165,546
	(b) Illinois	5,907,021	4,437,502	91,477	62,111	111,558	1,110,517	9,656	9,135	75,065
	(c) New York	10,420,725	7,258,249	2[illegible]4,532	88,739	256,047	2,332,697	15,662	20,186	154,613
	(d) Ohio	5,387,334	4,109,343	71,684	40,688	96,181	979,174	6,159	7,333	76,772
	(e) Pennsylvania	6,037,529	4,526,572	81,710	53,549	123,971	1,155,314	6,498	7,218	82,697
	(f) Texas	5,526,497	3,865,264	83,356	47,986	74,018	1,338,415	5,109	8,279	104,070

[1] Includes estimated tax declarations not available by districts.
[2] Includes 143,823 forms 1040B, NB, NBA, PR, and VI which are included in "All other individual and fiduciary" returns in this table on p. 12.

Table 7.—Internal revenue collections, cost, employees, and U.S. population, 1940 through 1969

Fiscal year	Operating cost (1)	Collections (2)	Cost of collecting $100 (3)	Population (thousands) (4)	Tax per capita (5)	Number of employees: Total (6)	National (7)	Field (8)
1940	$59,675,518	$5,340,452,347	$1.12	132,594	$40.28	22,423	3,993	18,430
1941	65,289,527	7,370,108,378	.89	133,894	55.04	27,230	4,151	23,079
1942	75,105,704	13,047,868,518	.58	135,361	96.39	29,065	4,329	24,736
1943	99,093,512	22,371,386,497	.44	137,250	163.00	36,338	4,377	31,961
1944	129,941,848	40,121,760,233	.32	138,916	288.82	46,171	4,273	41,898
1945	145,390,720	43,800,387,576	.33	140,468	311.82	49,814	4,441	45,373
1946	174,795,640	40,672,096,998	.43	141,936	286.55	59,693	5,144	54,549
1947	203,916,822	39,108,385,742	.52	144,698	270.28	52,830	4,771	48,059
1948	183,731,060	41,864,542,295	.44	147,208	284.39	52,143	4,662	47,481
1949	209,205,715	40,463,125,019	.52	149,767	270.17	52,266	4,554	47,712
1950	230,408,200	38,957,131,768	.59	152,271	255.84	55,551	4,303	51,248
1951	245,869,538	50,445,686,315	.49	154,878	325.71	57,795	4,030	53,765
1952	271,872,192	65,009,585,560	.42	157,553	412.62	55,370	3,842	51,528
1953	268,590,806	69,686,535,389	.38	160,184	435.00	53,463	3,834	49,629
1954	268,969,107	69,919,990,791	.38	163,026	428.89	51,411	2,707	48,704
1955	278,834,278	66,288,692,000	.42	165,931	399.50	50,890	2,675	48,215
1956	299,894,710	75,112,649,000	.40	168,903	444.71	50,682	2,583	48,099
1957	305,537,814	80,171,971,000	.38	171,984	466.16	51,364	2,602	48,762
1958	337,428,789	79,978,476,484	.42	174,882	457.33	50,816	2,638	48,178
1959	355,469,228	79,797,972,806	.44	177,830	448.73	50,200	2,633	47,567
1960	363,735,359	91,774,802,823	.40	180,684	507.93	50,199	2,702	47,497
1961	413,295,238	94,401,086,398	.44	183,756	513.73	53,680	3,031	50,649
1962	450,080,420	99,440,839,245	.45	186,656	532.75	56,510	3,357	53,153
1963	500,804,314	105,925,395,281	.47	189,417	559.22	59,486	3,562	55,924
1964	549,692,131	112,260,257,115	.49	192,120	584.32	59,357	3,753	55,604
1965	597,387,471	114,434,633,721	.52	194,592	588.07	60,360	3,790	56,570
1966	624,861,929	128,879,961,342	.48	r 196,907	r 654.52	61,689	3,816	57,873
1967	667,080,295	148,374,814,552	.45	r 199,114	r 745.18	65,122	4,060	61,062
1968	699,190,304	153,636,837,665	.46	r 201,152	r 763.78	65,177	r 3,939	r 61,238
1969	758,785,475	187,919,559,668	.40	203,216	924.65	64,507	4,037	60,470

r Revised

Table 8.—Internal revenue tax collected on Puerto Rican manufactured products transported to the United States, by objects of taxation

[In thousands of dollars]

Objects of taxation	1968	1969
Total	67,667	82,297
Distilled spirits	56,899	72,548
Distilled spirits rectification tax	1,165	1,356
Wine	9	5
Beer	43	35
Cigars, large:		
Class A	------	------
Class B	2	1
Class C	1,382	1,124
Class D	64	144
Class E	6,635	5,842
Class F	1,320	1,100
Class G	147	142
Cigars, small	------	------
Cigarettes, large	------	------
Cigarettes, small	------	------

Note.—Amounts of internal revenue taxes collected on Puerto Rican tobacco and liquor manufactures transported to the United States, or consumed in the island (less refunds, drawbacks, and expenses), are covered into the Treasury of Puerto Rico under the provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 4), beginning with 1955.

Table 9.—Establishments qualified to engage in the production, distribution, storage, or use of alcohol and alcoholic liquors

Class of establishment	As of June 30— 1968	1969
Distilled spirits plants:		
Plants (net number)	343	[1] 337
Facilities:		
Production	160	155
Warehousing	282	275
Bottling in bond	55	56
Denaturing	51	51
Taxpaid bottling	147	145
Rectifying	137	139
Denatured and tax-free products (dealers, users, etc.):		
Dealers in specially denatured alcohol and denatured rum	45	42
Users of specially denatured alcohol and denatured rum	3,491	3,424
Reprocessors, rebottlers, etc., of specially denatured alcohol articles	958	947
Users of tax-free alcohol	7,400	7,364
Beer: Breweries	158	[2] 158
Wines:		
Bonded wine cellars	432	[3] 438
Taxpaid wine bottling houses	r 75	71
Vinegar: Vinegar factories using vaporizing process	3	3
Beverage dealers:		
Importers	2,035	2,063
Wholesale dealers in liquors	3,556	3,595
Wholesale dealers in beer	6,393	6,214
Retail dealers in liquors	277,909	277,918
Retail dealers in beer	132,783	134,605
Other:		
Manufacturers of non-beverage products (drawback)	811	778
Fruit-flavor concentrate plants	49	56
Bottle manufacturers	111	121

r Revised.

[1] Includes 5 experimental plants.
[2] Includes 9 experimental breweries.
[3] Includes 6 experimental bonded wine cellars.

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Table 10.—Establishments qualified to engage in the production or exportation of tobacco products and cigarette papers and tubes

Class of establishment	As of June 30— 1968	1969
Manufacturers of tobacco products	253	227
Manufacturers of cigarette papers and tubes	3	4
Tobacco export warehouses	177	188

Table 11.—Permits relating to distilled spirits under chapter 51, Internal Revenue Code 1954

Status	Total	Section 5171 I.R. Code	Section 5271, I.R. Code			
		Distilled spirits plants	Dealers in specially denatured alcohol	Users of— Specially denatured alcohol	Specially denatured rum	Tax-free alcohol
	(1)	(2)	(3)	(4)	(5)	(6)
In effect July 1, 1968	11,145	206	45	3,471	23	7,400
Issued	583	31	3	298	3	248
Terminated, total	696	35	6	365	6	284
Revoked						
Otherwise terminated	696	35	6	365	6	284
In effect June 30, 1969	11,032	202	42	3,404	20	7,364
Amended	658	9	2	243	2	402

Table 12.—Permits for operations relating to alcoholic beverages under the Federal Alcohol Administration Act

Status	Grand total	Distilled spirits plants Total [2]	Distillers	Warehousing and bottling	Rectifiers	Wine producers and blenders	Wine blenders	Importers	Wholesalers
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
In effect July 1, 1968	12,757	367	168	182	154	359	47	2,035	9,949
Issued	1,541	43	25	26	26	40	2	306	1,150
Terminated, total	1,672	55	29	31	23	40	9	278	1,290
Revoked	6						1	1	4
Otherwise terminated	1,666	55	29	31	23	40	8	277	1,286
In effect June 30, 1969	12,626	355	164	177	157	359	40	2,063	9,809
Amended	1,285	193				76	5	274	737

[1] Excludes permits for customs manufacturing bonded warehouses since such establishments are not required to qualify as distilled spirits plants.
[2] Column (2) does not represent the sum of (3), (4), and (5) since one permit may cover more than one activity.

Table 13.—Permits relating to tobacco under chapter 52, Internal Revenue Code 1954

Status	Total	Manufacturers of tobacco products	Export warehouse proprietors
	(1)	(2)	(3)
In effect July 1, 1968	430	253	177
Issued	60	21	39
Terminated, total	75	47	28
Revoked			
Otherwise terminated	75	47	28
In effect June 30, 1969	415	227	188
Amended	78	32	46

Table 14.—Label activity under Federal Alcohol Administration Act

Type of label	Applications acted upon: Total	Certificates issued: Approvals	Certificates issued: Exemptions	Disapproved
Grand total	73,249	72,589	208	452
Distilled spirits, total	40,817	40,504	56	257
Domestic	32,372	32,151	56	165
Imported	8,445	8,353		92
Wines, total	31,514	31,191	152	171
Domestic	12,555	12,343	152	60
Imported	18,959	18,848		111
Malt beverages, total	918	894		24
Domestic	654	64[illegible]		8
Imported	264	248		16

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1969, or portion thereof, by class of tax and by internal revenue regions, districts, and States

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)

Region / district	State	Total number of occupational tax stamps issued	Distilled spirits: Manufacturers of stills, $55	Rectifiers: Less than 20,000 proof gallons, $110	Rectifiers: 20,000 proof gallons or more, $220	Wholesale dealers, $255	Retail dealers: Retail dealers, $54	Retail dealers: At large $54	Medicinal spirits, $54	Manufacturers of nonbeverage products: Not exceeding 25 gallons, $25	Not exceeding 50 gallons, $50	More than 50 gallons, $100
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States, total		**841,426**	**113**	**29**	**104**	**2,582**	**230,897**	**863**	**951**	**42**	**33**	**761**
North-Atlantic Region		**154,402**	**36**	**4**	**17**	**313**	**43,990**	**39**	**507**	**14**	**4**	**178**
Albany	(See (c) below)	12,220	18			11	5,044	17		1		8
Augusta	(Maine)	4,397	1		2	1	459					2
Boston	(Massachusetts)	22,834	5	1	8	86	7,088		499	6	2	37
Brooklyn	(See (c) below)	33,002		2	2	41	7,380	7	1			55
Buffalo	(See (c) below)	24,236	11			31	8,813	6	1	1	2	18
Burlington	(Vermont)	2,687				1	628		6			
Hartford	(Connecticut)	14,639		1	3	29	5,035	2				9
Manhattan	(See (c) below)	33,355	1		1	92	7,252	4		4		42
Portsmouth	(New Hampshire)	3,367			1		618	1				2
Providence	(Rhode Island)	3,665				21	1,673	2		2		5
Mid-Atlantic Region		**109,684**	**40**	**1**	**18**	**216**	**37,370**	**111**	**7**		**2**	**162**
Baltimore	(Maryland and D.C.)	20,422			4	60	5,469	89				16
Newark	(New Jersey)	26,182	27		8	90	12,319	11				80
Philadelphia	(See (e) below)	28,947	10	1	5	43	10,532	3	1		2	52
Pittsburgh	(See (e) below)	17,491			1	6	7,952	3	4			5
Richmond	(Virginia)	14,859	3			7	301	2	2			9
Wilmington	(Delaware)	1,783				10	797	3				
Southeast Region		**100,369**	**1**		**5**	**201**	**10,616**		**10**	**4**		**59**
Atlanta	(Georgia)	11,829			1	41	1,724					17
Birmingham	(Alabama)	8,942				6	788		4	3		2
Columbia	(South Carolina)	12,259				13	1,086					4
Greensboro	(North Carolina)	14,677				53	294		5			7
Jackson	(Mississippi)	9,480	1			10	856			1		3
Jacksonville	(Florida)	29,229			3	50	5,040					8
Nashville	(Tennessee)	13,953			1	28	828		1			18
Central Region		**107,628**	**25**	**5**	**28**	**479**	**35,550**	**57**	**14**	**9**	**1**	**81**
Cincinnati	(See (d) below)	16,196	13		1	108	4,631	15		4		26
Cleveland	(See (d) below)	25,360	7	1	2	149	9,048		2	4		11
Detroit	(Michigan)	32,431	3	1	4	117	13,699	29	12		1	24
Indianapolis	(Indiana)	17,092			3	21	5,6[illegible]4	6		1		14
Louisville	(Kentucky)	8,991	1	3	16	82	1,8[illegible]5	7				5
Parkersburg	(West Virginia)	7,558	1		2	2	653					1
Midwest Region		**123,015**	**5**	**2**	**13**	**398**	**46,005**	**356**	**252**	**5**	**22**	**124**
Aberdeen	(South Dakota)	3,598				11	980		1			1
Chicago	(See (b) below)	28,834			7	124	12,751	36	4		15	61
Des Moines	(Iowa)	10,787				5	2,925		12	1		4
Fargo	(North Dakota)	2,308				10	1,025		2			
Milwaukee	(Wisconsin)	26,452			1	81	13,067	2	192	1		11
Omaha	(Nebraska)	6,147				36	2,056	31	6		1	2
St. Louis	(Missouri)	18,701	3	1	3	51	5,556	270	3	2	2	29
St. Paul	(Minnesota)	16,552			1	10	3,061	16	28	1	4	9
Springfield	(See (b) below)	9,636	2	1	1	70	4,584	1	4			7
Southwest Region		**105,168**	**3**	**2**		**315**	**16,941**	**218**	**139**	**2**	**2**	**45**
Albuquerque	(New Mexico)	3,031		1		23	1,356	1				
Austin	(See (f) below)	32,864	2			74	2,256	37	3	1		11
Cheyenne	(Wyoming)	1,554				1	659					
Dallas	(See (f) below)	15,373	1			63	1,575	87	1	1		13
Denver	(Colorado)	9,793				18	3,015	68	134		2	5
Little Rock	(Arkansas)	5,897				41	759	3				1
New Orleans	(Louisiana)	16,366		1		49	5,191	21				11
Oklahoma City	(Oklahoma)	11,489				15	937	1				1
Wichita	(Kansas)	8,801				31	1,193		1			3
Western Region		**141,160**	**3**	**15**	**23**	**660**	**40,425**	**82**	**22**	**8**	**2**	**112**
Anchorage	(Alaska)	956				9	533	2				
Boise	(Idaho)	3,337				3	792	2				
Helena	(Montana)	3,810		1		1	1,390	5				
Honolulu	(Hawaii)	2,701		3		28	1,162	2	2			
Los Angeles	(See (a) below)	48,567		2	8	262	14,838	63		5		49
Phoenix	(Arizona)	7,427				75	2,767	1				
Portland	(Oregon)	10,351				51	1,266	1				8
Reno	(Nevada)	4,166			1	25	1,420	2	20			
Salt Lake City	(Utah)	4,11[illegible]					154				2	
San Francisco	(See (a) below)	39,73[illegible]	3	9	14	94	12,245	2		1		52
Seattle	(Washington)	15,989				112	3,858	2		2		3

Totals for States not shown above

	Total (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(a) California	88,305	3	11	22	356	27,083	65		6		101
(b) Illinois	38,470	2	1	8	194	17,335	37	8		15	68
(c) New York	102,813	30	2	3	175	28,489	34	2	6	2	123
(d) Ohio	41,556	20	1	3	257	13,679	15	2	8		37
(e) Pennsylvania	46,438	10	1	6	49	18,484	6	5		2	57
(f) Texas	48,237	3			137	3,831	124	4	2		24

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1969, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Wine: Wholesale dealers: Wines, $255 (12)	Wine: Wholesale dealers: Wines and beer, $255 (13)	Wine: Retail dealers: Wines, $54 (14)	Wine: Retail dealers: Wines and beer, $54 (15)	Beer: Brewers: 500 barrels or more, $110[1] (16)	Beer: Wholesale dealers, $123 (17)	Beer: Retail dealers, $24 (18)	Beer: Retail dealers at large, $24 (19)	Beer: Temporary dealers in liquor (wines or beer) $2.20 per month (20)
United States, total	**102**	**568**	**115**	**45,092**	**168**	**6,688**	**134,533**	**72**	**4,586**
North-Atlantic Region	**46**	**45**	**19**	**1,297**	**17**	**762**	**26,483**	**40**	**529**
Albany (See (c) below)				31	1	98	2,786		66
Augusta (Maine)				1		49	2,196		
Boston (Massachusetts)		24		159	4	18	97		74
Brooklyn (See (c) below)	7	2		67	4	232	7,159	38	3
Buffalo (See (c) below)	4		4	17	6	192	5,310		243
Burlington (Vermont)		16		928		1	106		2
Hartford (Connecticut)			3	7	1	39	1,898	1	121
Manhattan (See (c) below)	35	2	12	73		98	5,504		20
Portsmouth (New Hampshire)				2		26	1,392	1	
Providence (Rhode Island)		1		12	1	9	35		
Mid-Atlantic Region	**14**	**69**	**15**	**4,224**	**42**	**1,765**	**6,992**	**16**	**793**
Baltimore (Maryland and D.C.)	1	3	8	472	9	107	1,752		317
Newark (New Jersey)	8	3	4	45	10	125	334	10	400
Philadelphia (See (e) below)				7	13	792	879		11
Pittsburgh (See (e) below)	1		1	14	8	658	460		
Richmond (Virginia)	4	60	2	3,680	2	74	3.554	5	2
Wilmington (Delaware)		3		6		9	13	1	63
Southeast Region	**2**	**136**	**26**	**13,443**	**6**	**484**	**27,929**		
Atlanta (Georgia)		15	7	1,086	1	58	2,044		
Birmingham (Alabama)		2	1	23		72	3,502		
Columbia (South Carolina)		32	2	2,155		24	3,569		
Greensboro (North Carolina)	2	34	9	2,786		56	4,446		
Jackson (Mississippi)				74		77	4,840		
Jacksonville (Florida)		51	7	7,238	4	109	4,964		
Nashville (Tennessee)		2		81		88	4,564		
Central Region	**14**	**136**	**17**	**11,140**	**24**	**683**	**6,542**	**2**	**336**
Cincinnati (See (d) below)	3	10	2	2,732	5	56	485	2	107
Cleveland (See (d) below)	1	4	6	3,984	3	78	498		62
Detroit (Michigan)	9	120	8	2,245	8	94	156		110
Indianapolis (Indiana)		2		2,030	4	231	298		34
Louisville (Kentucky)			1	7	3	116	1,943		23
Parkersburg (West Virginia)	1			142	1	108	3,162		
Midwest Region	**1**	**10**	**9**	**107**	**45**	**1,350**	**19,016**	**9**	**2,092**
Aberdeen (South Dakota)						45	1,200		16
Chicago (See (b) below)				12	3	173	171		423
Des Moines (Iowa)				54	1	135	2,883	1	6
Fargo (North Dakota)						43	221		4
Milwaukee (Wisconsin)		8	1	18	23	339	3,983		916
Omaha (Nebraska)					2	74	849		
St. Louis (Missouri)	1		4	1	5	141	3,632	4	213
St. Paul (Minnesota)		1	4	1	8	268	5,849	2	183
Springfield (See (b) below)		1		21	3	132	228	2	331
Southwest Region	**4**	**29**	**21**	**6,760**	**14**	**1,001**	**32,430**	**5**	**146**
Albuquerque (New Mexico)	1					11	16		
Austin (See (f) below)		5	11	5,099	5	406	14,522	1	22
Cheyenne (Wyoming)						46	92		31
Dallas (See (f) below)		3	9	1,341	2	157	3,092	1	25
Denver (Colorado)				40	3	65	1,315		6
Little Rock (Arkansas)	2	20		213		44	1,396	1	1
New Orleans (Louisiana)	1	1	1	17	3	106	3,097	1	21
Oklahoma City (Oklahoma)				47	1	87	5,522	1	13
Wichita (Kansas)				3		79	3,378		27
Western Region	**21**	**143**	**8**	**8,121**	**21**	**643**	**15,141**		**690**
Anchorage (Alaska)				8		7	15		
Boise (Idaho)				14		135	1,440		
Helena (Montana)					2	65	580		25
Honolulu (Hawaii)			1	35	2	7	34		4
Los Angeles (See (a) below)	3	17	2	687	5	139	5.838		90
Phoenix (Arizona)		9		687	1	14	429		
Portland (Oregon)		27		2,042	2	54	1,392		110
Reno (Nevada)		1		12		12	117		5
Salt Lake City (Utah)				1			1,098		3
San Francisco (See (a) below)	17	59	5	3,143	5	168	3,351		443
Seattle (Washington)	1	30		1,492	4	42	847		10
Totals for States not shown above									
(a) California	20	76	7	3.830	10	307	9,189		533
(b) Illinois		1		33	6	305	399	2	754
(c) New York	46	4	16	188	11	620	20,759	38	332
(d) Ohio	4	14	8	6,716	8	134	983	2	169
(e) Pennsylvania	1		1	21	21	1,450	1,339		11
(f) Texas		8	20	6,440	7	563	17,614	2	47

[1] Includes 5 brewers of less than 500 barrels at $55.

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1969, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Narcotics: Manufacturers, importers, and compounders of opium, etc., $24 (21)	Narcotics: Wholesale dealers, $12 (22)	Narcotics: Retail dealers, $3 (23)	Narcotics: Practitioners, $1 (24)	Narcotics: Dealers in untaxed preparations, $1 (25)	Narcotics: Laboratories etc., $1 (26)	Marihuana: Manufacturers, $24 (27)	Marihuana: Dealers, $3 (28)	Marihuana: Producers and millers, $1 (29)	Marihuana: Practitioners, $1 (30)	Marihuana: Laboratories, $1 (31)
United States, total	**132**	**950**	**52,469**	**334,984**	**1,141**	**423**	**7**	**3**	**7**	**56**	**64**
North-Atlantic Region	**20**	**120**	**8,588**	**70,570**	**451**	**112**			**5**	**12**	**11**
Albany (See (c) below)	1	8	563	3,503	50	8					
Augusta (Maine)		3	223	1,452	1	2					
Boston (Massachusetts)	2	25	1,757	12,760	23	22			5	2	4
Brooklyn (See (c) below)	5	24	2,033	15,897	27	13					
Buffalo (See (c) below)	4	14	1,094	8,250	197	12				4	
Burlington (Vermont)		2	107	884		2					
Hartford (Connecticut)		11	857	6,579	9	20				3	2
Manhattan (See (c) below)	6	22	1,535	18,476	127	30				3	5
Portsmouth (New Hampshire)	1	4	155	1,155		2					
Providence (Rhode Island)	1	7	264	1,614	17	1					
Mid-Atlantic Region	**34**	**96**	**6,677**	**47,713**	**153**	**92**	**3**			**4**	**6**
Baltimore (Maryland and D.C.)	1	20	952	8,926	7	9				4	1
Newark (New Jersey)	16	28	1,456	11,108	26	34	2				
Philadelphia (See (e) below)	15	26	2,082	14,358	40	31	1				5
Pittsburgh (See (e) below)	1	11	1,166	6,782	12	10					
Richmond (Virginia)	1	8	905	5,790	61	6					
Wilmington (Delaware)		3	116	749	7	2					
Southeast Region	**7**	**128**	**7,358**	**34,341**	**182**	**33**				**1**	**4**
Atlanta (Georgia)		32	1,200	5,295	15	4					
Birmingham (Alabama)		12	984	3,519	6	3				1	
Columbia (South Carolina)	2	11	648	2,642	5	2					
Greensboro (North Carolina)	1	13	1,169	5,641	103	13					
Jackson (Mississippi)		8	579	2,339	7						
Jacksonville (Florida)		26	1,637	10,016	25	5					2
Nashville (Tennessee)	4	26	1,141	4,889	21	6					2
Central Region	**23**	**144**	**7,007**	**42,233**	**109**	**50**		**1**		**16**	**3**
Cincinnati (See (d) below)	4	22	1,003	6,349	14	9		1		12	
Cleveland (See (d) bleow)	3	29	1,421	9,811	26	15				3	
Detroit (Michigan)	9	48	2,080	13,576	35	12					
Indianapolis (Indiana)	6	24	1,300	6,572	26	11				1	3
Louisville (Kentucky)		11	843	3,847	7	3					
Parkersburg (West Virginia)	1	10	360	2,078	1						
Midwest Region	**24**	**143**	**7,801**	**43,916**	**108**	**47**	**3**	**2**	**2**	**19**	**5**
Aberdeen (South Dakota)		3	225	805							
Chicago (See (b) below)	8	32	2,195	12,685	21	6					1
Des Moines (Iowa)		22	753	3,953	15	3			2	3	
Fargo (North Dakota)		2	196	755							
Milwaukee (Wisconsin)	3	16	1,063	6,713	4	7	1				2
Omaha (Nebraska)	1	6	493	2,390	4	6	1	2		16	
St. Louis (Missouri)	8	24	1,150	7,220	41	12					
St. Paul (Minnesota)	1	22	1,005	6,052	6	3	1				2
Springfield (See (b) below)	3	16	721	3,343	17	10					
Southwest Region	**4**	**113**	**7,549**	**36,094**	**70**	**26**				**2**	**6**
Albuquerque (New Mexico)		3	268	1,319	5	5					
Austin (See (f) below)		20	1,626	8,645	24	2				2	3
Cheyenne (Wyoming)		2	120	461							
Dallas (See (f) below)	1	28	1,453	7,480	16	7					
Denver (Colorado)		16	804	4,161	4	1					
Little Rock (Arkansas)		5	598	2,257	4	1					1
New Orleans (Louisiana)	1	18	1,094	4,866	7	7					
Oklahoma City (Oklahoma)		13	885	3,780	8	3					2
Wichita (Kansas)	2	8	701	3,125	2						
Western Region	**20**	**206**	**7,489**	**60,117**	**68**	**63**	**1**			**2**	**29**
Anchorage (Alaska)		2	44	246							
Boise (Idaho)		2	85	859		1					2
Helena (Montana)		4	252	1,041	1	1					
Honolulu (Hawaii)		4	99	1,167	21	2					
Los Angeles (See (a) below)	10	63	2,446	23,833	26	28					24
Phoenix (Arizona)	1	16	507	2,797	3	4	1				
Portland (Oregon)	8	31	557	4,130	4	5					2
Reno (Nevada)		8	138	685							
Salt Lake City (Utah)		9	259	1,628	1	2				2	1
San Francisco (See (a) below)	1	44	2,075	17,981	10	13					
Seattle (Washington)		23	1,027	5,750	2	7					
Totals for States not shown above											
(a) California	11	107	4,521	41,814	36	41					24
(b) Illinois	11	48	2,916	16,028	38	16					1
(c) New York	16	68	5,225	46,126	401	63				7	5
(d) Ohio	7	51	2,424	16,160	40	24		1		15	
(e) Pennsylvania	16	37	3,248	21,140	52	41	1				5
(f) Texas	1	48	3,079	16,125	40	9				2	3

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1969, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		National Firearms Act: Manufacturers or importers, Class 1, $500	National Firearms Act: Manufacturers or importers, Class 2, $500	National Firearms Act: Dealer in firearms, Class 3, $200	National Firearms Act: Importer only of weapons classified as "Any Other Weapon," Class 4, $25	National Firearms Act: Manufacturer only of weapons classified as "Any Other Weapon," Class 5, $25	Dealer only in weapons classified as "Any Other Weapon," Class 6, $10	Coin-operated gaming device premises, $250 per device	Adulterated process or renovated butter and filled cheese	Wagering, $50
		(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
United States, total		**22**	**9**	**68**	**30**	**44**	**30**	**19,117**	**44**	**3,527**
North-Atlantic Region		**7**	**5**	**12**	**12**	**1**	**8**	**116**	**7**	**5**
Albany	(See (c) below)		1			1	2			2
Augusta	(Maine)	1		1	1		2			
Boston	(Massachusetts)	3	1		10		1	107	1	3
Brooklyn	(See (c) below)			2					1	
Buffalo	(See (c) below)	2								
Burlington	(Vermont)								4	
Hartford	(Connecticut)	1	3	1			1	3		
Manhattan	(See (c) below)			8			2		1	
Portsmouth	(New Hampshire)				1			6		
Providence	(Rhode Island)									
Mid-Atlantic Region		**3**	**2**	**7**		**1**	**9**	**2,984**		**43**
Baltimore	(Maryland and D.C.)	1	1	5			3	2,183		2
Newark	(New Jersey)	1						37		
Philadelphia	(See (e) below)			1			2	26		9
Pittsburgh	(See (e) below)					1		369		26
Richmond	(Virginia)	1	1	1			4	368		6
Wilmington	(Delaware)							1		
Southeast Region			**1**	**13**			**9**	**5,243**	**12**	**116**
Atlanta	(Georgia)		1	5			2	278		3
Birmingham	(Alabama)							2		12
Columbia	(South Carolina)			1			1	2,044		18
Greensboro	(North Carolina)			2				36		7
Jackson	(Mississippi)							621		64
Jacksonville	(Florida)			5			3	21	12	3
Nashville	(Tennessee)						3	2,241		9
Central Region		**3**			**2**	**10**		**2,101**	**6**	**777**
Cincinnati	(See (d) below)					1		557	4	20
Cleveland	(See (d) below)	1						122	1	68
Detroit	(Michigan)	2			2	2		8	1	16
Indianapolis	(Indiana)					3		528		350
Louisville	(Kentucky)					3		32		143
Parkersburg	(West Virginia)					1		854		180
Midwest Region					**3**	**5**		**990**	**4**	**122**
Aberdeen	(South Dakota)				1			299		11
Chicago	(See (b) below)				1			85		20
Des Moines	(Iowa)					1				8
Fargo	(North Dakota)							21		29
Milwaukee	(Wisconsin)									
Omaha	(Nebraska)							125		46
St. Louis	(Missouri)				1	3		318	3	
St. Paul	(Minnesota)							14		
Springfield	(See (b) below)					1		128	1	8
Southwest Region		**2**	**1**	**2**	**13**	**27**		**2,930**	**12**	**240**
Albuquerque	(New Mexico)					1		20		1
Austin	(See (f) below)	1			5	8		8	9	56
Cheyenne	(Wyoming)					1		127		14
Dallas	(See (f) below)		1	1	3	4				8
Denver	(Colorado)				3			133		
Little Rock	(Arkansas)			1				517	3	29
New Orleans	(Louisiana)				2	7		1,776		67
Oklahoma City	(Oklahoma)	1				3		107		62
Wichita	(Kansas)					3		242		3
Western Region		**7**		**34**			**4**	**4,753**	**3**	**2,224**
Anchorage	(Alaska)						1	56		33
Boise	(Idaho)							1		1
Helena	(Montana)							161		281
Honolulu	(Hawaii)							128		
Los Angeles	(See (a) below)	6		24			1	95	3	
Phoenix	(Arizona)	1		4				102		8
Portland	(Oregon)							661		
Reno	(Nevada)			2				1,587		131
Salt Lake City	(Utah)			1			1	511		445
San Francisco	(See (a) below)			3						
Seattle	(Washington)						1	1,451		1,325
Totals for States not shown above										
(a) California		6		27			1	95	3	
(b) Illinois					1	1		213	1	28
(c) New York		2	1	10		1	4		2	2
(d) Ohio		1				1		679	5	88
(e) Pennsylvania				1		1	2	395		35
(f) Texas		1	1	1	8	12		8	9	64

Table 16.—Appellate division receipts and dispositions of cases not before the Tax Court (nondocketed cases)

A. Progress of work

Status	Number of cases	Amount stated in revenue agent's report (thousand dollars): Deficiency and penalty	Amount stated in revenue agent's report (thousand dollars): Overassessment
	(1)	(2)	(3)
Pending July 1	21,705	2,263,801	106,828
Received	27,122	1,329,289	46,547
Disposed of, total	26,648	1,330,189	43,391
By agreement	21,537	1,053,290	39,067
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	1,373	12,407	2,607
By taxpayer default on statutory notice	1,154	33,581	94
By petition to the Tax Court—transferred to docketed status	2,584	230,908	1,622
Pending June 30	22,179	2,262,896	109,981

B. Results obtained in dispositions

Method	Number of cases	Appellate determination (thousand dollars): Deficiency and penalty	Appellate determination (thousand dollars): Overassessment
	(1)	(2)	(3)
Disposed of, total	26,648	554,138	58,642
By agreement	21,537	316,029	56,818
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	1,373	10,770	1,765
By taxpayer default on statutory notice	1,154	33,893	14
By petition to the Tax Court—transferred to docketed status	2,584	193,444	45

Table 17.—Appellate division receipts and dispositions of income, estate, and gift tax cases petitioned to the Tax Court (docketed cases)

A. Progress of work

Status	Number of cases	Amount stated in statutory notice (thousand dollars): Deficiency in tax and penalty	Amount stated in statutory notice (thousand dollars): Overassessment
	(1)	(2)	(3)
Pending July 1	9,559	1,313,755	367
Received, total	5,981	438,387	55
Petitions filed in response to—			
District Directors' statutory notices	3,638	242,775	35
Appellate Division's statutory notices [1]	2,343	195,612	20
Disposed of, total	5,692	408,315	106
By stipulated agreement	4,706	355,555	54
By dismissal by the Tax Court or taxpayer default	266	4,060	46
Tried before the Tax Court on the merits	720	48,699	6
Pending June 30	9,848	1,343,828	316

[1] Difference from table 16, transferred to docketed status is caused by excluding district director's statutory notices considered by Appellate in 90-day status.

B. Results obtained in dispositions

Method	Number of cases	Appellate determination (thousand dollars): Deficiency in tax and penalty	Appellate determination (thousand dollars): Overassessment
	(1)	(2)	(3)
Disposed of, total	5,692	169,554	11,443
By stipulated agreement	4,706	116,878	11,391
By dismissal by the Tax Court or taxpayer default	266	3,977	46
Tried before the Tax Court on the merits [1]	720	48,699	6

[1] Represents amounts petitioned.

Table 18.—Office of Chief Counsel—Processing of income, estate, and gift tax cases in the Tax Court

Status	Number of cases	Amount in dispute [r] (thousand dollars)		
		Deficiency		Overpayment
		Tax	Penalty	
	(1)	(2)	(3)	(4)
Pending July 1	10,824	1,210,427	111,787	55,931
Filed or reopened	6,085	389,497	29,980	9,461
Disposed of	5,831	361,341	32,358	20,542
Pending June 30	11,078	1,238,583	109,409	44,850

[r] Opening inventory for amounts in dispute adjusted for corrections of amounts previously recorded as pending at the end of fiscal year 1968.

Table 19.—Office of Chief Counsel—Receipt and disposal of Tax Court cases in courts of appeals and in Supreme Court

Status	In courts of appeals					In Supreme Court				
	Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)		Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)	
		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Pending July 1, total	365	[r] 25,031	[r] 776							
Appealed by Commissioner	46	4,478	311							
Appealed by taxpayer	285	17,741	427							
Appealed by both	34	2,812	38							
Appealed, total	227	17,108	19			2	1,708			
By Commissioner	38	833				1	1,580			
By taxpayer	179	13,450	19			1	128			
By both	10	2,825								
Disposed of, total	288	18,308	767	8,327	767	2	1,708		1,644	
Favorable to Commissioner	151	5,567		5,561		1	1,580		1,580	
Favorable to taxpayer	36	4,093	44	8	44					
Modified	29	4,683	423	1,801	423	1	128		64	
Settled	24	1,649	300	504	300					
Dismissed	48	2,316		453						
Pending June 30, total	304	23,831	28							
Appealed by Commissioner	34	1,263	5							
Appealed by taxpayer	246	17,750	23							
Appealed by both	24	4,818								

[r] Revised.

Table 20.—Office of Chief Counsel—Receipt and disposal of suits filed by taxpayers in Federal courts and actions by the United States for recovery of erroneous refunds

Status	Total	Refund suits (other than alcohol, tobacco and firearms taxes) [1]		Erroneous refunds
		Court of Claims	District courts	
	(1)	(2)	(3)	(4)
Pending July 1:				
Cases ... number	[2] 3,748	[2] 444	[2] 3,277	27
Amount in dispute ... thousand dollars	436,645	176,731	257,343	2,571
Received during year:				
Cases ... number	1,246	120	1,106	20
Amount in dispute ... thousand dollars	111,217	33,665	77,341	211
Disposed during year:				
Cases ... number	1,573	169	1,394	10
Amount in dispute ... thousand dollars	120,391	22,559	97,500	332
Refunded during year:				
Amount ... thousand dollars	47,389	6,881	40,508	
Percent of amount disposed of	39.36	30.50	41.54	
Pending June 30:				
Cases ... number	3,421	395	2,989	37
Amount in dispute ... thousand dollars	427,471	187,837	237,184	2,450

[1] The number of cases disposed of does not agree with the number of cases in which decisions were rendered by these courts during the year, due to settlement by stipulation, dismissals, and time required for retrial, recomputation of tax, etc. In the Court of Claims the number of decisions was 59, of which 24 were for the Government, 23 against the Government, and 12 partly for and partly against the Government. In the district courts 412 decisions were rendered, of which 196 were for the Government, 160 against the Government, and 56 partly for and partly against the Government. For decisions by the courts of appeals and Supreme Court, see Table 21.

[2] The number of cases reported pending at the end of fiscal year 1968 disagree with the number of cases pending July 1, 1969 due to adjustments required in case inventory.

Table 21.—Office of Chief Counsel—Decisions of courts of appeals and Supreme Court in civil tax cases

Court	Total	For the Government	Against the Government	Partly for and partly against the Government
	(1)	(2)	(3)	(4)
Total	355	238	66	51
By courts of appeals, total	349	233	66	50
Originally tried in—				
Tax Court	190	154	31	5
Distric courts	159	79	35	45
By Supreme Court, total	6	5		1
Originally tried in—				
Tax Court	2	1		1
District courts	3	3		
Court of Claims	1	1		

Table 22.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, and disclosure cases

Status	Number of cases
Pending July 1	1,691
Received	1,993
Disposed of	1,988
Pending June 30	1,696

Note.—This table includes cases handled at national and regional levels which are under consideration for suit or are in suit in Federal and State courts. It does not include cases relating to alcohol, tobacco, and firearms taxes, nor to insolvency and debtor proceedings (table 23), nor to appeal and other cases which are included in table 24.

Table 23.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings

Status	Total	Reorganization proceedings [1]	Bankruptcy and receivership proceedings [2]	Miscellaneous insolvency proceedings [3]
	(1)	(2)	(3)	(4)
Pending July 1	2,222	1,142	601	479
Received	2,601	1,089	1,002	510
Disposed of	2,759	1,200	1,031	528
Pending June 30	2,064	1,031	572	461

[1] Proceedings instituted under the following sections or chapters of the Bankruptcy Act: Sec. 77 (railroad reorganizations) and chs. X (corporate reorganizations), XI (arrangements as to unsecured indebtedness), XII (real property arrangements), and XIII (wage earners' plans), which involve tax claims and other rights and interests of the United States.

[2] Bankruptcy liquidation proceedings and Federal or State receivership proceedings which involve tax claims of the United States.

[3] Proceedings relating to corporate dissolutions, insolvent banks, assignments for the benefit of creditors, or administration of estates of decedents, which involve tax claims of the United States.

Note.—Includes cases handled at national and regional levels.

Table 24.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, noncourt general litigation cases, and appeal cases

Status	Total	Miscellaneous court cases [1]	Lien cases not in court [2]	Noncourt general litigation cases [3]	Appeal cases [4]
	(1)	(2)	(3)	(4)	(5)
Pending July 1	1,274	323	85	757	109
Received	5,607	534	1,881	3,117	75
Disposed of	5,728	544	1,890	3,186	108
Pending June 30	1,153	313	76	688	76

[1] Includes suits for foreclosure by mortgagees or other secured creditors, and suits to quiet title to which the United States is made a party.

[2] Primarily applications for discharge of property from tax liens.

[3] Primarily memorandums on general litigation matters from regional counsel to district directors which are not related to court proceedings or lien cases.

[4] Includes cases in Federal and State appellate courts relating to insolvency and debtor proceedings, lien cases in court, and collection, summons, and injunction cases.

Note.—Includes cases handled at national and regional levels.

Table 25.—Office of Chief Counsel—Caseload report

Activity	Pending July 1	Receipts	Disposals	Pending June 30
	(1)	(2)	(3)	(4)
Total	[r] 23,325	25,591	25,946	22,970
Administration	87	64	93	58
Alcohol, tobacco, and firearms	695	6,082	5,828	949
National Office	179	2,017	1,951	245
Field	516	4,065	3,877	704
General Litigation	5,187	10,201	10,475	4,913
National Office	334	284	311	307
Field	4,853	9,917	10,164	4,606
Enforcement	2,148	1,084	1,159	2,073
National Office	73	24	41	56
Field	2,075	1,060	1,118	2,017
Interpretative Division	271	600	697	174
Refund Litigation Division	[r] 3,748	1,246	1,573	3,421
Tax Court [1]	11,189	6,314	6,121	11,382
National Office	365	229	290	304
Field	10,824	6,085	5,831	11,078

[1] Statutory Notices not included.

[r] Revised.

Table 26.—Obligations incurred by the Internal Revenue Service

[In thousands of dollars]

Internal revenue office, district, or region	Total (1)	Personnel compensation and benefits (2)	Travel (3)	Equipment (4)	Other (5)
A. National Office and regional totals (including district directors[1] offices and service centers)					
Total Internal Revenue Service[1]	758,785	667,191	17,617	9,963	64,014
National Office	88,130	48,811	1,141	3,812	34,366
North-Atlantic	116,241	110,588	1,733	356	3,564
Mid-Atlantic	93,377	87,659	1,732	537	3,449
Southeast	75,550	68,383	2,365	490	4,312
Central	83,393	77,721	2,026	578	3,068
Midwest	89,857	83,423	2,337	740	3,357
Southwest	70,831	65,439	2,234	310	2,848
Western	99,315	91,000	2,946	782	4,587
Regional counsel	10,518	10,078	123		317
Regional inspection	9,592	8,592	747	31	222
Office of International Operations	5,337	4,975	179	4	179
National Computer Center	7,212	2,298	13	2,269	2,631
IRS Data Center	9,433	8,225	41	54	1,113
B. Regional commissioners' offices (excluding district directors' offices and service centers)					
North-Atlantic	12,409	11,628	250	17	514
Mid-Atlantic	12,076	10,775	385	159	757
Southeast	14,596	12,727	589	77	1,203
Central	12,386	11,445	310	91	540
Midwest	10,705	9,475	390	91	749
Southwest	7,489	6,763	281	31	414
Western	10,632	9,512	387	144	589
C. Regional costs undistributed					
North-Atlantic	791	578	185	14	14
Mid-Atlantic	560	376	162	(*)	22
Southeast	793	320	282	16	175
Central	773	419	237	9	108
Midwest	787	467	242	47	31
Southwest	636	310	271	20	35
Western	950	431	443	20	56
D. District directors' offices and service centers					
North-Atlantic:					
Albany	3,605	3,427	88	9	81
Augusta	1,850	1,723	60	9	58
Boston	12,760	12,199	219	31	311
Brooklyn	15,243	14,638	163	18	424
Buffalo	8,859	8,460	163	32	204
Burlington	952	885	32	5	30
Hartford	6,702	6,417	107	17	161
Manhattan	28,522	27,845	158	23	496
Portsmouth	1,368	1,275	41	7	45
Providence	2,166	2,064	30	15	57
Puerto Rico Branch (AT&F)	131	119	10	(*)	2
North-Atlantic Regional Training Center	207		(*)	128	79
North-Atlantic Region—Centralized Training	187		180		7
North-Atlantic Service Center	20,487	19,332	48	32	1,075
Mid-Atlantic:					
Baltimore	11,165	10,753	155	39	218
Newark	15,652	15,008	246	41	357
Philadelphia	15,479	14,931	236	23	289
Pittsburgh	9,101	8,772	143	21	165
Richmond	7,289	6,819	234	50	186
Wilmington	2,100	2,005	26	19	50
Mid-Atlantic Region—Centralized Training	129		119		10
Mid-Atlantic Service Center	19,827	18,220	27	185	1,395
Southeast:					
Atlanta	6,814	6,369	212	30	203
Birmingham	4,567	4,272	130	33	132
Columbia	3,059	2,874	94	17	74
Greensboro	7,440	6,841	276	37	286
Jackson	3,000	2,746	115	33	106
Jacksonville	12,657	11,905	359	61	332
Nashville	5,807	5,392	174	43	198
Southeast Region—Centralized Training	115		109		6
Southeast Service Center	16,702	14,937	25	143	1,597
Central:					
Cincinnati	7,976	7,543	203	45	185
Cleveland	12,407	11,770	274	61	302
Detroit	14,674	13,892	322	84	376
Indianapolis	8,422	7,878	234	103	207
Louisville	5,426	5,033	174	46	173
Parkersburg	3,171	2,938	132	25	76
Central Regional Training Center	165	122	1	31	11
Central Region—Centralized Training	150		123		27
Central Service Center	17,844	16,683	17	85	1,059
Midwest:					
Aberdeen	1,495	1,379	71	8	37
Chicago	19,505	18,720	207	157	421
Des Moines	4,866	4,530	165	62	109
Fargo	1,332	1,213	70	19	30
Milwaukee	6,921	6,524	203	31	163
Omaha	3,282	3,073	89	27	93
St. Louis	9,927	9,33[illegible]	314	42	233
St. Paul	6,77[illegible]	6,420	171	30	153
Springfield	5,49[illegible]	5,12[illegible]	209	26	133
Midwest Region—Centralized Training	17[illegible]		174		3
Midwest Service Center	18,590	17,158	32	201	1,199

Footnotes at end of table

Table 26.—Obligations incurred by the Internal Revenue Service—Continued

[In thousands of dollars]

Internal revenue office, district, or region	Total (1)	Personnel compensation and benefits (2)	Travel (3)	Equipment (4)	Other (5)
D. District directors' offices and service center—Continued					
Southwest:					
Albuquerque	2,217	2,034	93	8	82
Austin	10,829	10,172	309	25	323
Cheyenne	1,148	1,035	65	10	38
Dallas	10,469	9,765	309	45	350
Denver	4,244	3,954	108	15	167
Little Rock	2,948	2,709	119	17	103
New Orleans	6,210	5,833	151	22	204
Oklahoma City	5,363	4,991	160	23	189
Wichita	4,435	4,128	156	15	136
Southwest Region—Centralized Training	181		176		5
Southwest Service Center	14,663	13,745	36	79	803
Western:					
Anchorage	1,017	892	65	6	54
Boise	1,509	1,337	68	18	86
Helena	1,572	1,420	78	11	63
Honolulu	1,899	1,666	41	24	168
Los Angeles	25,557	23,943	621	81	912
Phoenix	3,247	2,995	101	14	137
Portland	4,247	3,932	123	27	165
Reno	2,533	2,192	96	10	235
Salt Lake City	2,162	2,043	51	9	59
San Francisco	16,297	15,191	411	81	614
Seattle	6,312	5,870	173	26	243
Western Regional Training Center	280	213	3	4	60
Western Region—Centralized Training	243		239		4
Western Service Center	20,856	19,362	46	307	1,141

*Less than $500.

[1] Includes $3.5 million financed from reimbursements.

[2] Does not include transfer to General Services Administration in the amount of $899,000 for rental of space, and $950,000 for Early Records Retirement; also transfer to Bureau of Narcotics in the amount of$63,000.

Table 27.—Obligations incurred by Internal Revenue Service, by appropriation and activity

[In thousands of dollars]

Appropriation by activity	Total		Personnel compensation and benefits		Other	
	1968	1969	1968	1969	1968	1969
Total obligations	699,190	758,785	625,144	667,191	74,046	91,594
Appropriated funds, total	694,611	755,305	621,451	664,228	73,160	91,077
Salaries and expenses: Total	19,604	21,931	17,205	18,973	2,399	2,958
Executive direction	8,171	9,966	7,380	8,349	791	1,317
Internal audit and security	11,433	12,265	9,825	10,624	1,608	1,641
Revenue accounting and processing: Total	178,918	189,183	150,412	158,632	28,506	30,551
Data processing operations	144,590	167,015	116,937	137,219	27,653	29,796
Statistical reporting	5,463	6,860	4,697	6,161	766	699
District manual operations	28,865	15,308	28,778	15,252	87	56
Compliance: Total	496,089	544,191	453,834	486,623	42,255	57,568
Audit of tax returns	261,018	284,949	240,786	257,656	20,232	27,293
Collection of delinquent accounts and securing delinquent returns	111,233	123,970	100,794	109,106	10,439	14,864
Tax fraud and special investigations	35,186	38,536	31,432	33,996	3,754	4,540
Alcohol and tobacco tax regulation and enforcement	36,279	41,656	32,054	34,949	4,225	6,707
Taxpayer conferences and appeals	25,010	25,695	23,789	23,935	1,221	1,760
Technical rulings and services	10,242	10,933	9,295	10,054	947	879
Legal services	17,121	18,452	15,684	16,927	1,437	1,525
Reimbursements, total	4,579	3,480	3,693	2,963	886	517

Note—Amounts shown do not include transfer to GSA for rent of space amounting to $478,000 in 1968; $899,000 in 1969; Transfer to Narcotics of $53,000 and transfe to GSA for Early Records Retirement of $950,000 in 1969.

Table 28.—Quantity and cost statistics for printing

Class of work	1968			1969		
	Quantity (thousands)		Cost (thousand dollars)	Quantity (thousands)		Cost (thousand dollars)
	Items or sets	Packages		Items or sets	Packages	
	(1)	(2)	(3)	(4)	(5)	(6)
Total			13,232			14,271
Tax returns and instructions for major mailings to taxpayer, total	527,287	84,832	2,201	436,765	81,427	1,872
Package 1 (Form 1040 and instructions—20 pages)	94,683	31,628	683	100,179	33,393	629
Package 2 (Form 1040, Schedules B, D, 1040ES, and instructions—32 pages)	88,256	11,032	318	75,607	10,801	302
Package 3 (Form 1040, Schedules B, C, D, 1040ES, and instructions—40 pages)	102,630	7,345	383	89,869	6,913	344
Package 4 (Form 1040, Schedules B, D, F, 1040ES, and instructions—40 pages)	46,298	3,307	177	41,470	3,190	158
Package 5 (Form 1065, Schedule D, and instructions—16 pages)	5,400	1,080	27	5,425	1,085	25
Package 6 (Form 1120, Schedule D, Form 3468, and instructions—24 pages)	12,250	1,750	50	12,775	1,825	47
Package 7 (Form 1040A, instructions)	38,920	19,460	218	39,440	19,720	176
Employment tax package—Pub. 393 (Forms 7018, 941a, W-2, W-4, and Pub. 213)	138,450	9,230	[1] 345	72,000	4,500	191
Other tax returns, instructions, public-use forms, and pamphlets	1,302,493		6,004	1,538,767		6,924
Administration forms and pamphlets	968,751		3,388	807,674		3,445
Field printing	171,070		544	306,000		[2] 974
Excise tax stamps	2,519,809		1,095	2,507,202		1,056

[1] This represents both the fiscal year 1968 and fiscal year 1969 requirements for Pub. 393. Because of a change in production methods it was necessary to advance the procurement lead time.

[2] Increased cost in this category caused by including the printing cost of general, miscellaneous use envelopes.

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